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Anglo-American Political Economy and Global Restructuring: The Case of Iraq

Sandra Halperin

Introduction

The invasion of Iraq has been linked to the global ambitions of U.S. oil and defence industries and to U.S. government efforts to advance them. However, what is missing from, or minimized in, current discussions is the essentially Anglo-American political-economy that forms the basis for the creation and pursuit of these ambitions. This paper endeavours to bring this dimension of current world politics more clearly into focus. It is divided into two parts. The first part of the paper describes the central mechanisms of imperial expansion in the nineteenth century and how current trends of change might be seen as representing, in part, a return to aspects of this system (Section I). The remaining sections of the paper provide an elaboration of this theme. Section II describes the integration of U.S. and British capital as a result of U.S.-U.K. mergers in oil, defence, and finance; the disproportionate power and wealth of these interests in the U.S. and the British economies, and the U.S.-British political-military alliance that supports their quest for global reach. With this as a context, the paper then reviews the history of British and U.S. foreign policies towards Iraq and the culmination of these policies in the invasion and take-over of the country (Section III). The conclusions draw implications for the overall nature and direction of current trends of change.

I. The political-economy of imperialism: Past and present

In the nineteenth century, European economies expanded primarily through the export of capital and goods, rather than through the expansion and integration of domestic markets. The development of exogenous demand and consumption ensured that the benefits of expanded production would be retained solely by the property owning classes. Thus it was that, in 1914, British industrialization was as sectorally and geographically limited as the ‘dualistic’ colonial economies described by dependency theorists. Landed and industrial property had become increasingly concentrated; mechanization, skilled labour, and rising productivity and real wages were found only in sectors producing for export; and these sectors had only a limited impact on the rest of the economy. Little attempt was made to expand or mechanize industries producing goods for domestic household consumption. Industries grew by expanding employment, rather than by introducing innovations either in organization or technology. Even Britain's export industries were slow to adopt new techniques or improvements. Though British industrialization was based on the expansion of capital goods production for railway building, rapid technical improvement came, even here, only when compelled by military competition and the modernizing armaments industry.[1]

Britain's economy before World War II was based on the development of external markets for heavy industry and high-cost consumption goods. Expanding its shipbuilding, boiler making, gun and ammunition industries, enabled Britain to penetrate and defend markets overseas; this, in turn, provided opportunities for Britain to build foreign railways, canals, and other public works, including banks, telegraphs, and other public services owned or dependent upon governments. British capital exports provided purchasing power among foreign governments and elites for these goods and services, and funded the development and transport of food and raw materials exports to Europe, thus creating additional foreign purchasing power and demand for British goods, as well as decreasing the price of food, and thereby the value of labour, in Britain. At the centre of this circuit was the City of London, which like the advanced sector of a 'dependent' economy depended 'only slightly' on Britain's economic performance.[2] The bulk of Britain's capital exports between 1880 and 1913 went to the Dominions, Europe, and the U.S. – and almost 70% of this went into docks, tramways, telegraphs and telephones, gas and electric works and, in particular the enormously capital-absorbing railways.[3] Only the production of modern armaments is more capital absorbing (the mass production of armaments in the United States, and their export to Europe, began in the 1860s).[4] Increasing blocs of territory throughout the world became covered with networks of British built and financed railroads, provisioned by British steamships and defended by British warships.

Sources of raw materials and markets for British exports were developed originally through colonialism and imperialism. Markets were also created

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1 Sandra Halperin, *War and Social Change in Modern Europe: the great transformation revisited* (Cambridge: Cambridge University Press, 2004), Chapter 3.

2 Robert W. D. Boyce, *British Capitalism at the Crossroads, 1919-1932* (Cambridge: Cambridge University Press, 1987), pp. 18- 19.

3 As did the bulk of French and Belgian foreign investment.12% of British investment went into extractive industries (agriculture and mining); only 4% went into manufacturing. (Edelstein 1981: 73).

4 Maurice Dobb, *Studies in the Development of Capitalism* (New York: International Publishers, 1963), p. 296. Hobsbawm argues that, at least in the short run, railway building in Britain had little to do with developing the domestic market. All industrial areas were within easy access of water transport by sea, river, or canal, and water transport was and is by far the cheapest for bulk goods (coal mined in the north had been shipped inexpensively by sea to London for centuries). In fact, Hobsbawm argues, 'many of the railways constructed were and remained quite irrational by any transport criterion, and consequently never paid more than the most modest profits, if they paid any at all. This was perfectly evident at the time…' What was also evident is that investors were looking 'for any investment likely to yield more than the 3.4 percent of public stocks.' Railway returns eventually settled down at an average of about 4 percent. Eric Hobsbawm, *Industry and Empire* (London: Weidenfel and Nicolson, 1968), p. 111, pp. 113-118.

by squeezing other countries out of their markets, as for instance, through the British military operations that succeeded in usurping India's international market for textiles. Britain developed Egypt and the Sudan as sources of cotton for its textile industry, while adding other territories to its colonial empire for strategic/commercial purposes (e.g., Singapore, Aden, the Falkland Islands, Hong Kong, Lagos), or as a result of the movement and activities of land-hungry British emigrants (e.g. in South Africa, Canada, Australia). Colonies also provided labour that was even cheaper than that which was available domestically and, in any case, was an alternative to mobilizing labour at home. Meanwhile, local elites, whether in colonies, former colonies, or states that had never been colonies, imported British capital and goods, developed mines and raw materials exports, and built railways and ports, in order to extend, consolidate and maintain their power and become wealthy.

By 1914, tensions were rising not only within European states, but among them, as more and more countries began to pursue dualistic, externally-oriented economic expansion. These tensions increasingly threatened to lead to war while, at the same time, expansionist aims began more and more to focus on Europe itself. The European balance of power and imperialist regimes began to dissolve. The threat of a multilateral imperialist war in Europe forced governments and ruling elites to do precisely what a century of overseas imperialist expansion had enabled them to avoid: mobilize the masses.

In the eighteenth century, European governments had relied on the social elite to pay for mercenary troops and to provide military leaders to fight professional wars. The impact of these wars on the social order had been relatively limited. However, Napoleon's mass 'citizen' armies and the mass armies mobilized to fight against them, enhanced the power of labour and strengthened its market position. Thus, after the end of the Napoleonic Wars, and despite the difficulty of raising and maintaining large mercenary forces, there was a return to old-style armies of paid professionals, mercenaries, and 'gentlemen'.[5] But, in 1914, aggressive imperialist threats on their frontiers forced European states, once again, to use the *lévee en masse*. The mass mobilizations for World War I set in motion a social revolution that, between 1917 and 1939, swept through all of Europe.

The demand for labour and need for its cooperation for a second European war compelled a political accommodation of working-class movements. After World War II, a class compromise was concluded in Western Europe on the basis of social democratic and Keynesian goals and policy instruments. Wages rose with profits, so that labour shared in productivity gains, making higher mass consumption possible for new mass consumer goods industries. Development in Europe became characterized by sustained growth rather than short-lived windfalls, and by a more equitable distribution of income.[6] In contrast to

5 Silver, B. J. and Eric Slater, 'The Social Origins of World Hegemonies', in Giovanni Arrighi and Beverly J. Silver (ed.), *Chaos and Governance in the Modern World System* (Minnesota: University of Minnesota Press, 1999), p. 190.

6 Paul Johnson, 'The Welfare State', in Roderick C. Floud and Donald N. McCloskey (ed.), *The Economic History of Britain since 1700, vol. 4: 1939-1992* (Cambridge: Cambridge University Pres, 1994), pp. 3-4, pp. 284-317. John Westergaard and Henrietta Resler, *Class in a Ca-*

pre-war economic policies, post-war policies were designed to expand domestic markets through increased production, rather than to divide up and exploit national markets through restrictive practices. States expanded domestic markets by increasing and regulating domestic investment and this, in turn, increased production and raised the level of earnings and of welfare of the working class. These policies led to a more balanced and internally oriented development, and to an era of unprecedented growth and of relative peace and stability. Although there was a strong growth of the volume of exports after the war, the expansion of domestic markets for domestic goods and services ensured that the proportion of resources devoted to exports (measured by the current price ratio of exports to GDP) declined.[7] The territorial coincidence of production and consumption and the resulting expansion of domestic markets brought to an end, for a time, the pursuit of profit through colonialism and imperialism.

The United States had already adopted fordism during the Great Depression. Fordism increased mass production on the basis of higher mass consumption. After World War II, fordism became permanent.

However, the fordist compromise in the U.S. required far less of a concession by capital than did the Keynesian social democratic compromise in Europe. The U.S. had already made the shift to mass production and consumption when it adopted fordism.[8] It had enjoyed a higher level of domestic investment and had grown faster than Western European economies[9] Moreover, U.S. industry had few competitors, so the higher wages conceded as part of the fordist compromise could be paid for by higher prices. Also, Keynesian policies delivered benefits to the monopoly sector by functioning as a welfare program for the mass production of armaments that, in the U.S., had begun in the 1860s and, thereafter, had become an increasingly important part of the U.S. economy.

In the 1960s, however, the competitive advantage enjoyed by US industry began to erode;[10] as international competition from Europe and Japan intensified, profit margins in the U.S. began to narrow. Wage increases had previously been paid for by higher prices. But when international competition began to act

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pitalist Society: a Study of Contemporary Britain (London: Heinemann, 1975). Felix Paukert, 'Income Distribution at Different Levels of Development: A Survey of Evidence', *International Labour Review* (Vol. 108, 1973), pp. 97-125.

7 'It was not until the end of the 1960s that production for international trade absorbed an increasing proportion of labor within the advanced countries'. Marglin and Schor, *The Golden Age of Capitalism* (New York: Oxford University Press, 1990), p. 51.

8 It had poured its steel into its own railroads, and then into automobiles. In 1914 there was, in the US, about 1 car per 35 persons; a level not reached by European countries until the 1960s. By the 1920s, 30% of American steel went into automobiles. This had been an important factor in American 'isolationism' before World War II . James R. Kurth, 'The Political Consequences of the Product Cycle', *International Organization* (Vol.33, Winter, 1979), pp. 1-34**.**

9 Andrew Schonfield, *Modern Capitalism: The Changing Balance of Public and Private Power* (London: Oxford University Press, 1965), pp. 5-6.

10 A decline in the US share of world manufactured exports, and an intensification of import competition in the US home market began in the 1960s. Mark Rupert, *Producing Hegemony: the Politics of Mass Production and American Global Power* (Cambridge: Cambridge University Press, 1995), pp. 176-77; and David Coates, *Models of Capitalism: Growth and Stagnation in the Modern Era* (Cambridge: Polity, 2000), pp. 28-32.

as a constraint on pricing in the 1970s, capitalists were caught in a profit squeeze between labour keeping wages high: tight labour markets in the US had pushed up wages and compressed wage structures through the late1960s; but now, with foreign competitors holding prices down, reducing wages was precluded by labour militancy and by the political radicalism engendered by mass conscription for the Viet Nam war. With this context, and the high levels of inflation and slow growth, surplus capacity, and low investment characteristic of the 1970s, that U.S. business engaged in concerted political action to get states to deregulate industry and markets, privatize their assets, and curtail their welfare functions.

In 1978, the U.S. introduced far-reaching measures of deregulation; the following year marked the beginning of a series of measures that moved the UK in the same direction.[11] The shift in the other OECD countries and the European Community began in the early-to-mid 1980s.

Consequently, there has also been a return to the export-oriented expansion that characterized the nineteenth century. As Herman Schwartz notes, the U.S. capital exports that mark this expansion differ in a number of ways from those that characterized the outflow of 'productive' capital to Europe and elsewhere after World War II. Before the 1970s, capital exports were relatively small (British capital exports in the nineteenth century had amounted to 10 percent of GDP; at their peak, those of the U.S. had been around 2 percent of GDP). US firms invested in Europe because it was the only way to access European markets, given '[t]he sharp drop in the trade share of GDP that occurred in Europe subsequent to the depression, the persistence of capital and currency controls, and the presence of substantial non-tariff barriers...'. Moreover, these investments had supported an overall system of welfare, income equality, and higher wages at home. 'While firms fought for market share overseas, they did so in ways that boosted workers' incomes and domestic demand rather than suppressing those incomes'.[12]

The U.S. capital exports that began in the late 1970s, however, are part of an overall shift that involves downsizing work forces and resetting corporate activity 'at ever lower levels of output and employment'.[13] In fact, despite the tendency to refer to current trends collectively as 'neo-liberal' globalization, the expansion underpinning 'globalization' has been essentially *anti*-liberal in nature. Like that which underpinned Europe's nineteenth century expansion, it is characterized by increasing concentration and monopoly. Large firms are tending increasingly to buy existing assets through mergers and acquisitions rather than to

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11 Changes in direction took place in France (1982-3), Australia (1983), Canada (1984) and New Zealand (1984). Among the developing countries, the first major programme of reform was that launched by the Pinochet government in Chile in the mid-1970s. China's historic new departure began in 1978.

12 Herman Schwartz, 'Hobson's Voice: American Internationalism, Asian Development, and Global Macro-economic Imbalances', *Journal of Post-Keynesian Economics* (Vol. 25, No.2, Winter 2002-2003), pp. 331-351.

13 Karel Williams, John Williams, and Colin Haslam, 'Do Labour Costs Really Matter?', *Work, Employment, and Society,* (Vol. 3, 1989), pp. 281-305.

build new ones.[14] The purpose of these, as Jonathan Nitzan argues, is to avoid creating new capacity so as to prevent glut and falling profit, and to augment the power of large firms.[15] Nitzan argues that firms tend to pursue 'differential accumulation'—a faster rise of profit than the average so as to make their distributive share bigger). The most important and effective path to differential gain, and the one to which large firms most incline, is through mergers and acquisitions. 'Once the national scene has been more or less integrated, the main avenue for further expansion [through differential accumulation] is across international borders, hence the current *global* merger wave'. Nitzan predicts that 'far from contributing to growth,' this wave of mergers 'is likely to further exacerbate stagnation and unemployment'.

An economic development process involves accumulation of capital and the employment of more personnel to increase productive capacity. This can be achieved either by expansion--a simple multiplication of the capacity at a given moment--or by intensification, i.e. an improvement in production techniques. Before World War II, economic development in Europe proceeded principally by means of lateral gains, through the acquisition of spheres of interest, rather than intensive gains, through improved organization or productivity. Similarly, U.S. expansion today is proceeding not through the creation of additional capacity, but by lateral gains: by squeezing other countries' firms out of their markets, restructuring those markets and integrating them into U.S. commodity chains; and, increasingly, through buying existing assets through mergers.[16]

II. The Anglo-American military-industrial conglomerate

The UK is the world's fourth largest economy, a major trading power and overseas investor, and one of NATO's major European maritime, air and land powers. Britain's industrial economy is characterised, compared with all other major economies, by low productivity, low research and development and a poorly skilled and casualised labour force with the longest working hours in Europe. Like most other developed countries, the U.K. has seen a decline in its manufacturing sector over the past decade, but the fall has been more pronounced: over the past eight years Britain has lost almost 30% of its manufacturing jobs (Germany has lost only 2%). Manufacturing now represents 16% of national output, and Britain's trade deficit for goods is proportionately even higher than that of the US.[17]

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14 Perhaps, most notably, the recent mega-mergers that have created the oil 'super-majors' (U.S. based ExxonMobil and Chevron-Texaco; Royal Dutch-Shell and BP of Britain and the Netherlands; and BP and the American Oil Company, which previously had merged with Atlantic Richfield; TotalFinaElf of France); the globalization of the weapons industry and trend towards military 'mega-firms as, for instance, the merger of BAE with GEC Marconi to create the world's second largest arms-making company (after Lockheed Martin). For an analysis of this trend, see Ann R. Markusen and Sean S. Costigan (eds.), *Arming the Future: a Defense Industry for the 21st Century* (Washington: Council on Foreign Relations Press, 1999).

15 Jonathan Nitzan, 'Regimes of Differential Accumulation: Mergers, Stagflation and the Logic of Globalization' *Review of International Political Economy* (Vol. 8, No. 2, 2002), p. 241.

16 Ibid., pp. 245,261.

17 John Foster, 'State Monopoly Capitalism Alive, Vulnerable and Dangerous', accessed on 5 April 2008, http://www.politicalaffairs.net/article/articleview/2301/1/51/

The profitability and growth of the British economy is highly dependent on British state policies and Britain's relationship with the United States, including American finance capital, links between U.S. and British oil and gas companies and military contractors, and privileged access to the U.S. economy. In fact, according to the 2005 U.N. World Investment Report Britain has the highest index of 'transnationality' of any major economy. Overseas holdings were equivalent to 29% of GDP in 1981, but rose to 74% by 1991, and 160% in 2002. Levels of external ownership have followed roughly in balance. 'Uniquely among advanced industrial nations' 20% of Britain's R&D is overseas funded, and is almost entirely concentrated in it's externally owned computing and IT sector and to a lesser extent in defence.[18]

The U.S. is Britain's biggest investor: its investments in Britain are twice as large as that of Britain's next biggest investor, Germany, and three times that of France; and Britain invests twice as much in the U.S. as it does in any other country.[19] Britain's remaining strengths in manufactured exports very largely depend on a mainly U.S. owned computing and IT sector producing for the European market. The British and U.S. oil, defence, and banking sectors are very closely linked: British Petroleum (BP) has now merged with the American Oil Company (Amoco), and British Aerospace (BAE) now derives more of its income from the US Defence Department than from the British Ministry of Defence.[20] Two thirds of the banks (and bank capital) of the City of London, which is the main world centre for trading in equities, derivatives and foreign exchange, are non-British, the bulk American.

In addition to external investment income, 'of which the biggest share comes from banking, oil, and gas (and the biggest single element from the U.S.)', a second major source of profit derives from 'an increasing flow of income from the state to private companies in services though direct subsidies, risk-free contracts and control over privatised pension savings [through the 1990s the profit levels for privatised utilities ran at double the level of those in manufacturing]'.[21] Privatisation of public utilities and occupational pensions over the past twenty years has brought very fast capital accumulation in banking and service companies. The financial and business services sector as a whole now accounts for over 70% of GDP. It is these companies that are the biggest exporters of capital and, along with U.S. companies, 'are the most aggressive proponents of forcing open banking and public services in the EU and in WTO-

[18] Ibid.

[19] U.S. dominance in direct investment is even bigger: three times that of Germany and four times that of France. Total British investment in *all European countries* is double that invested in the U.S. 'British investment in Asia (including China) represents only 5 per cent of its US investment and 3 per cent of its European investment'. Ibid.

[20] BAE Systems' North American branch is treated by the Pentagon as a domestic arms company. According to Ian Prichard of the British Campaign Against Arms Trade (CAAT), 'BAE System North America appears to be virtually a separate company -even top UK executives are not privy to the more sensitive work carried out by "their" company in the US'. Sasha Lilley, 'BAE System's Dirty Dealings', accessed on 11, November 2003 http:/www.corpwatch.org/article.php?id=9008.

[21] Foster, op. cit. in note 16.

dependent countries as well as further privatisation of health, education and social services in Britain itself'.[22]

In Britain and the U.S., the defence and oil industry is disproportionately powerful and wealthy vis-à-vis the rest of the economy. The U.S. and the U.K. are the largest arms exporters in the world, and U.S. and British oil companies represent four of the world's fifteen largest corporations listed in the 2002 'Fortune Global 500'.

BAE Systems is one of the world's top arms producers, generating £12 billion in annual sales of warplanes, avionics, submarines, surface ships, radar, electronics, and guided weapons systems to 130 countries.[23] The UK government promotes the sale of British weapons abroad through its Export Credit Guarantee Department, which loans out British taxpayers' money for foreign purchases of British-made arms, and the MOD's Defence Export Sales Organisation. British state support makes possible the sale of weapons to the governments of impoverished countries through its issue of export licenses.[24] The Blair Labour government, like the Conservative governments of Margaret Thatcher and John Major, has been 'a steadfast a supporter of the arms industry'.[25]

Britain's oil giants--Shell and British Petroleum, one of the largest if not the largest oil company in the world--'tower far above the next tier firms like British Telecom, Unilever and ICI. From such heights, U.K. oil executives speak almost as unofficial members of government'.[26] Until 1987, the British government held a majority stake in BP, with seats on the board. Under Tony Blair's Labour government,

At least a dozen BP executives held government posts or sat on official advisory committees, including Browne's immediate predecessor David Simon (Lord Simon of Highbury). Simon had stepped down as BP CEO to serve as Blair's unelected Minister for European Trade and Competitiveness from May 1997 to July 1999. Later on, Tony Blair's long time friend and personal assistant Anjl Hunter, director of government relations and known as "the gatekeeper" Down-

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[22] Ibid.

[23] Sasha Lilley, 'BAE System's Dirty Dealings', Special to CorpWatch, accessed on 11 November 2003, http://www.corpwatch.org/article.php?id=9008.

[24] The Prime Minister and Foreign Secretary at times have assumed the role of arms broker. Prime Minister Blair used the opportunity of his visit to India during the Kashmir crisis of 2002 to promote BAE's efforts conclude a deal to sell 66 Hawk jets to India for £1billion, as did the Foreign Secretary later that year. Sasha Lilley, 'BAE System's Dirty Dealings', Special to Corp Watch, accessed on 11 November, 2003, http://www.corpwatch.org/ article.php?id=9008.

[25] According to *The Observer,* BAE chairman Sir Richard Evans is 'one of the few businessmen who can see Blair on request'; quoted in Sasha Lilley, 'BAE System's Dirty Dealings', Special to CorpWatch, accessed on 11 November, 2003, http://www.corpwatch. org/article. php?id=9008**.**

[26] Writing of the close friendship between Prime Minister Tony Blair and BP CEO John Browne (Lord Browne of Maddingley), members of the press have referred to BP as 'Blair Petroleum'. James Paul notes, however, that it would be 'more accurate to say that Blair was the BP Prime Minister'. James A. Paul, 'Oil Companies in Iraq: A Century of Rivalry and War', Global Policy Forum, November 2003; accessed at http:// www. globalpolicy. org/ security/ oil/2003/2003companiesiniraq.htm.

ing Street, joined BP as head of public relations in the summer of 2002, just as the war was actively brewing.[27]

The pursuit of profit-making opportunities on behalf of their increasingly integrated defence and oil industries has been a defining factor in shaping U.S. and British foreign policy. In fact, the demand of U.S. and British capital for global reach, and the response of the U.S. and Britain to those demands, has marked a return to the kind of international political and economic order led by Britain in the nineteenth century. Central to that order, as Deepak Lal has emphasised, was its guarantee of international, as opposed to national, property rights; and the use of direct or indirect imperialism, rather than economic sanctions, to maintain them. The collapse of this order during the world wars marked the beginning of period in which nation-states asserted their national sovereignty against international property rights.[28]

The collapse of the nineteenth century system and the conclusion of a 'compromise' between capital and labour, led to a shift that oriented investment and production towards the domestic market after World War II. For a time, and through welfare reforms and market and industry regulation, investment and production were made to serve the expansion and integration of national markets. But by the late 1970s, the U.S. and U.K. began to dismantle the restrictions on capital mobility that they had imposed after World War II and to restructure or eliminate regulatory agencies and social welfare programs. These changes began a return to the form of export-oriented growth and capital exports that had characterized the pre-world war international political economy. Central to this is a project to extend the reach of Anglo-American capital through tearing down barriers erected by national governments and through privatization. This project has proceeded under a variety of banners: in Eastern Europe and Russia, it has been called 'shock therapy' or 'fast-track' transitions from socialist to capitalist market systems; elsewhere, it is called 'structural adjustment', post-war 'reconstruction', 'democratization', 'civil society', 'good governance' or, finally, regime change, which entails, not only 'the removal of particular individuals, many of them one-time allies or assets of the U.S., who have now come into conflict with it', but 'a complete economic restructuring'.[29]

III. The case of Iraq

Many explanations have been advanced in the face of the obvious failures of the official British and U.S. explanations to account for the war being waged

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[27] James A. Paul, 'Oil Companies in Iraq: A Century of Rivalry and War', Global Policy Forum, November 2003, accessed at http://www.globalpolicy.org/ security/ oil/2003/ 2003companiesiniraq.htm.

[28] Deepak Lal, 'In Defense of Empires', *Economic Affairs* (Vol.23, No. 4, December 2003), pp. 14-19, pp.16-17. The overall argument of this article is that 'Empires have unfairly got a bad name'; and that, if U.S. domestic politics would only be more permissive, U.S. hegemony could bring about a more definitive return to the stable order that existed during the nineteenth century British *Pax* (p. 19).

[29] Nick Beams, 'The political economy of American militarism', Part 2, 11 July 2003; accessed 5 April at http://www.wsws.org/articles/2003/jul2003/nb2-j11.shtml.

on Iraq. In the U.K., discussion has tended to focus almost exclusively on the United States, and on a variety of factors specific to it, ranging from U.S. geopolitical and macro-economic interests and oil, to U.S. domestic politics and the personal characteristics of President George Bush and other leading political figures. Discussion in the U.K. tends to treat British involvement in the war as tangential or at most supplemental in relation to that of the U.S., and to explain it largely with reference to aspects of Prime Minister Tony Blair's personality as, for instance, his exaggerated concern with maintaining Britain's 'special' relationship with the United States, his disposition for obsequiousness (captured in the phrase 'Bush's poodle'), and his religious faith and its presumed role in establishing with George Bush a shared vision of world order.

Such views wilfully ignore the broader context of British foreign policy and of Anglo - American relations. More specifically, they ignore recurrent features of U.K. foreign policy towards the Middle East, long-term British interests in Iraq, and their relation to fundamental aspects of British political-economy, the increasing integration of British and U.S. capital, and the largely Anglo-American-led project of global economic re-structuring currently taking place.[30] Discussion that focuses on the personal characteristics of Tony Blair and some broadly conceived U.K. national interest in maintaining close political relations with the United States, deflects attention from the long-standing British and U.S. interests in Iraq as well as from the larger Anglo-American ambitions that motivated the invasion of Iraq and that divide the U.K. and U.S. from France, Germany, and other EU and non-EU countries.

The Historical Background of Anglo-American Foreign Policy towards Iraq

At the start of the twenty-first century...broad themes of Iraqi history from the first half of the twentieth century return: imperialist invasion and occupation to grab the region's resources, and rivalries between different imperialist powers as they strain for the prize.[31]

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[30] In two recent books, British historian Mark Curtis has argued that British politicians and the British media and academic community help to keep the public ignorant about Britain's role in the world. 'Activists on the left', he argues, 'know far more about, and write far more about the U.S. than Britain'; and the academic community 'place more emphasis on critiquing U.S. rather than U.K. foreign policy': whereas 'in the U.S. there is a large body of very good critical analysis of U.S. foreign policy', in the U.K. academics tend to focus on U.S. foreign policy and the E.U.'s role in the world, rather than on British foreign policy. He argues that declassified files on British foreign policy, which illuminate aspects of Britain's role in the world that are missing from much discussion of contemporary events, have been largely ignored by British academics, though they have being available to the public for over a decade. As a result,

> We have significantly been kept in the dark as to this country's real role in the world... We the public don't know a fraction of what this country has been up to in the last 50 years, even though the evidence... is actually sitting there ready to be documented by interested academics or journalists.

According to Curtis, these files show that, with respect to Britain's role in world affairs over the past century, 'not much has changed really'. Paul Cochrane, 'Unpeople, Dirty Wars and a Web of Deceit – Britain's Foreign Policies', interview with Mark Curtis for Worldpress.org, 6 January 2005; accessed at http://www.markcurtis.info/.

[31] *Behind the War on Iraq*, by the Research Unit for Political Economy, May 2003, accessed at http://www.monthlyreview.org/0503rupe.htm.

The modern Middle East states system is largely the creation of the U.K. and its allies in the region;[32] and, as with any system, it was created to advance the interests of its creators. Among the ways the system was designed to advance these interests was through the creation of new states for which there was no rationale (communal, historic, or geographic) save to provide a façade of national autonomy for British domination of the area and its resources. This is the story of 'Iraq': pieced together from three Ottoman provinces after World War I, with a British client from the *hejaz*[33] as king (and a British-drafted constitution giving him quasi-dictatorial powers over Parliament), Iraq came into being as a means of securing British control of newly discovered oil fields in Kurdistan and along the old Ottoman border with Iran. Iraq's King Faisal began his reign by concluding a treaty of alliance with Britain that largely reproduced the terms of the British-authored League of Nations Mandate for Iraq, and granting a concession to the British-owned Turkish Petroleum Company for the *whole of Iraq* until the year *2000*.[34] The British High Commissioner assumed dictatorial powers to help steer the ship of state during its first few years, and set about deporting opposition elements and nationalist leaders from the country, while RAF squadrons bombed Iraqi villages to quell major uprisings.

In July 1958, a faction of Iraq's army seized power, executed the king (King Faisal II), and declared a republic. However, Britain's control of Iraqi oil enabled it to continue to exercise control over Iraq's government.[35] The U.S. became a partner in this endeavour, but it was Britain's dominance in deciding who got access to Middle East oil and on what terms, and its on-going interventions and rule in the region that served as the template for Anglo-American activities.[36]

Britain's Iraqi Petroleum Company (IPC), in which U.S. and French firms held minority positions, was created from the former Turkish Petroleum Company. Until it was nationalized in 1972, the IPC owned the entire territory of Iraq, a singularly draconian oil concession even by the standards set by oil majors elsewhere in the region (even in Iran and Saudi Arabia concessions did not cover their entire territories). Since the size of IPC's payments to the Iraqi gov-

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32 It was French demands, to which Britain agreed, that resulted in the carving out of a separate state of Lebanon from the former Ottoman province of Syria, and the preservation of Lebanon and Syria as a sphere of French influence.

33 The *hejaz* is in modern-day Saudi Arabia. As King Faisal was not himself from any of the lands that were cobbled together to form Iraq and was, in addition, not associated with the religious sect of the majority of the population of the new state, his rule was, from the start, beholden to the British and dependent on continued British domination.

34 And with payment to Iraq set at four shillings per ton of oil produced. *Behind the War on Iraq*, by the Research Unit for Political Economy, May 2002, accessed at http://www.monthlyreview.org/0503rupe.htm.

35 It also continued to direct Jordan's military, conducted military operations in Oman in the 1950s waged a decade-long war in North Yemen in the 1960s; backed coups in Iran (1953), Sharjah (1965), Abu Dhabi (1966), and Oman (1970); retained control of Bahrain until 1971; and helped to keep the Iraq-Iran War running throughout the 1980s.

36 As has been frequently observed, many of the arguments offered by President Bush to support a U.S. invasion of Iraq --fostering freedom, democracy and development---are identical to those used by Britain almost ninety years ago when it created Iraq. But throughout the post-World War II era, U.S. policy has modeled itself on prior and on-going British policy in the region.

ernment depended on the size of its oil output, and since the government's revenues depended heavily on these payments, the IPC had only to reduce output to punish the government or dissuade it from pursuing policies deemed detrimental to British and U.S. interests.[37] This it did repeatedly in response to Iraqi government policies.

Immediately following the revolution in Iraq in 1958, and in the face of a threatened Anglo-American invasion of the country to restore the monarchy, the new regime had offered assurances that U.K. and U.S. interests would not be harmed.[38] But when popular opposition to the IPC concession eventually compelled the regime to demand 60% of the IPC's concession area and a doubling of output from its existing installations, the IPC responded by reducing output. The Iraqi government responded by withdrawing from the Baghdad Pact and the sterling bloc (1959); when the IPC responded with further reductions in output, the government announced the formation of a new state-owned Iraq National Oil Company (INOC) to develop the non-concession lands. Four days later, a CIA-backed coup replaced the Ba'thist government with a more compliant regime. The new government granted the IPC another 0.5% of the concession area, including the rich North Rumaila field, which the IPC had discovered but failed to exploit; and concluded an agreement to enable the IPC and the new INOC to jointly explore and develop a large portion of the expropriated area, as well. But when, in the aftermath of the 1967 Arab-Israeli War, the new regime responded to anti-U.S. and –U.K. feeling throughout the region by abrogating these agreements, another CIA-backed coup returned the Ba'ath party (and, at the same time, brought Saddam Hussein) to power the following year.

By the time of the 1973 Arab-Israeli war, anti-Western sentiment had increased pressure on Arab governments to confront Western oil firms and demand better terms for Arab oil. Libya, under Muammar Qaddafi was among the first to respond to these pressures, as was Iraq which, in 1972, nationalised the IPC. By 1973, the Organization of Petroleum Exporting Countries (OPEC) had begun to respond, as well; and when the Arab-Israeli war broke out that year, it declared an Arab oil embargo against Western states and a massive increase in prices paid to oil producing countries. This began a wave of nationalization throughout the Middle East and OPEC countries, shifting ownership of the vast majority of the world's oil resources to state oil companies. The small number of private companies that had controlled oil industry activities in the region (the 'Seven Sisters') continued to do much of the exploring, drilling, and pumping, but under prices and conditions set by the host government'.[39] Like other countries, the U.K. and U.S. paid higher oil prices; but most of these extra funds

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[37] The IPC owned fields elsewhere in the world and were in no hurry to develop the Iraqi fields or build larger refining capacity there. In fact, its existing installations in 1958 covered only 0.5% of its concession area

[38] Britain and the U.S. moved troops to Jordan and Lebanon in preparation for the invasion, but it appears that, even without the new Iraqi government's assurances, the invasion would have failed to go forward, as no Arab force could be found willing to assist in restoring the thoroughly despised monarchy.

[39] Michael Renner, 'Post-Saddam Iraq: Linchpin of a New Oil Order', *Foreign Policy In Focus Policy Report*, January 2003, http://www.fpif.org/papers/oil.html.

flowed back to their own financial and defence sectors. In fact, as has been often noted, government and industry in Britain and the U.S. *prefer* moderate to high oil prices because they produce the revenues that get recycled back home through, among other means, the 'arms-petrodollar cycle' that, for decades, has seen enormous sums of money paid to despotic Middle Eastern (and other) regimes return to the U.K. and U.S. in the form of arms purchases.[40]

However, unlike the Saudis and other Arab ruling groups who invested their petrodollars in Western financial and defence industries, Iraq *did not* use its increased oil revenues to invest in Western banks and armaments but, instead, invested either internally or in the Eastern block. Unlike most oil-producing countries that nationalized their oil industries, Iraq used revenues from higher oil prices to improve living standards; build infrastructure, particularly water projects, roads, railways, and rural electrification; increase industrial diversification and expand literacy and technical education to train qualified personnel for industry. Saudi Arabia, Kuwait, and the United Arab Emirates also used a part of the huge increase in their earnings after 1973 to improve living standards, but most of it was invested in foreign, principally British and American, banks and armaments.

Within a few years, however, U.K. and U.S. frustration with the inability of their firms to access Iraqi oil and oil revenues was eclipsed by a larger concern: the Iranian Revolution which in 1979 toppled Britain and America's most important ally in the region, and an insurgency in Saudi Arabia that saw the occupation of the Grand Mosque in Mecca by hundreds of Islamic militants determined to eliminate the royal family and restore a purified Islam to Saudi Arabia.[41]

The call by Iran's revolutionary leaders for Muslims everywhere to overthrow their leaders and to join in the resurrection of a single Islamic state had an immediate impact in surrounding countries, particularly those with large *Shia* Moslem populations, like Iraq, which was a particular target of Iranian propaganda. In 1980, Iraq invaded Iran. The war that ensued lasted eight bloody years thanks to arms, chemical and biological weapon precursors, military training, satellite targeting and intelligence from the U.S. and the U.K., and other powers.

We now know that most of the extra-regional powers that supported Iraq where also providing support to Iran; and that, at least for the U.K., the U.S., and their closest allies in the region, the hoped for outcome of the war was the destruction of both of its anti-Western, militarily powerful belligerents. This hope

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40 Beginning in the 1970s, the U.K. and U.S. supplied Saudi Arabia and allied Persian Gulf states with massive amounts of highly sophisticated armaments. BAE's most important client is the Saudi royal family. The largest business deal in U.K. history, the Al-Yamamah deal with the Saudis, has involved over the last two and a half decades, the sale of 96 Tornado Fighters and more than 100 Hawk jets and other training aircraft totaling at least £20 billion. Sasha Lilley, 'BAE System's Dirty Dealings', Special to CorpWatch, 11 November 2003, http://www.corpwatch.org/article.php?id=9008.

41 It took army, national guard, and police units two weeks to defeat insurgents barricaded in the mosque. Hundreds of people were killed.

was fulfilled: the war decimated both countries, bankrupted their governments, and ruined their oil infrastructure.

At the end of the war, with its economy in shambles and mounting pressure from Kuwait for repayment of loans (which had helped to finance the war against what had been, and remained, a common enemy), Iraq attempted to negotiate a resolution of long standing grievances with Kuwait, and it continued unsuccessfully to do so until 1990. Among these grievances was the Kuwait-Iraq border which had been drawn to give Iraq, a large country with a population at the time of over 16 million, a narrow coastline of about 30 miles, and with its outlet to the gulf almost blocked by the two islands of Warba and Bubiyan, which were given to Kuwait. At the same time, Kuwait, a tiny country with a population at the time of under 2 million, was given a coastline of 310 miles. For Iraq, an otherwise land-locked country dependent on oil exports, this has been a serious issue throughout its history. A second grievance was Kuwait's exploitation of the Rumaila oil field which, when the border was drawn, had not yet been discovered; and since the border has never been properly demarcated, dispute has persisted over Kuwait's claim that a small tip of it lies in Kuwaiti territory, enabling Kuwaitis to extract as much as they want from the entire field. Iraq charged that the Kuwaitis were taking far more than their share of oil from this field. In addition, Iraq claimed Kuwait was exceeding OPEC oil production quotas, glutting the oil market and costing Iraq some $14 billion as a result of depressed oil prices.[42] Having failed to get any concession on any of these issues, or to get the international community interested in helping to resolve them, Saddam Hussein invaded Kuwait in August 1990. Four days later withdrawal from Kuwait, and imposed sanctions on Iraq. In November, the U.S. got the UN Security Council to pass Resolution 678 providing for the use of 'all necessary means' to end the occupation of Kuwait; and, with the U.K., rebuffed Soviet, European, and Arab diplomatic initiatives, as well as a last-minute French proposal that Iraq would withdraw if an agreement could be concluded to convene an international conference on peace in the region.[43]

The 'Gulf War' which ensued ended in February 1991; but the U.S. and U.K. used their Security Council vetoes to block the lifting of sanctions imposed by the U.N. before the war. Over the next decade, these sanctions blocked foreign investment and prevented reconstruction, further ruining the country's economic base. In the context of this and U.S./U.K. actions that followed, as well as the ultimate outcome of these activities, one might reasonably argue, as Stephen Gowans recently has, that the object of Anglo-American policies after the conclusion of the war was the same as that of the Gulf War, itself: 'to bring down the regime of Saddam Hussein and replace it with a puppet government that would open the country to exploitation by US-and British-based transnationals'.[44]

[42] Mark Heller, 'The Iran-Iraq War: Implications for Third Parties', *Paper -Jaffee Center for Strategic Studies* (No.23, 1984)

[43] This would have included discussion of the continued illegal occupation by Israel of the West Bank, Gaza, and the Golan Heights, the subject of the unenforced UN Security Council Resolution 242, as well as Israel's occupation at the time of south Lebanon.

[44] Stephan Gowans, 'We've Done It Before, So Why All The Shock? The War on Iraq in the Context of the Forces that Shape US Foreign Policy', 14 March 2006, accessed at http://www.uruknet.info/?l=e&p=21566&hd=0&size=1. James Paul points out that on nu-

The U.S. and U.K. saw through the passage of two U.N. Security Council Resolutions in April 1991: UNSC Resolution 687 (April 3) required Iraq to unconditionally accept 'the destruction, removal or rendering harmless of its weapons of mass destruction' (WMD), and provided for the establishment of a U.N. Special Commission (UNSCOM) to ensure Iraqi compliance;[45] UNSC Resolution 688 (April 5) 'condemns' Saddam Hussein's repression of the Iraqi civilian population – 'the consequences of which threaten international peace and security'--and requires him to allow immediate access to international humanitarian organizations to help those in need of assistance.[46] The U.S. and U.K. used these Resolutions to justify their establishment of what they called 'no-fly zones' in much of Iraqi airspace (north of the 36th parallel, and south of the 32nd parallel) and enforcement of these zones by patrols and almost daily bombings.[47] Between 1991 and 2000 U.S. and British warplanes 'flew more than 280,000 sorties' which, according to U.N. officials, 'routinely hit civilians and essential civilian infrastructure'.[48] In addition, the U.S. and U.K. launched major attacks on Iraqi military targets four times, 'using scores of strike aircraft and cruise missiles' (in January 1993, January 1996, June 1996 and December 1998).[49]

But it was U.S. and British insistence on maintaining ruinous sanctions that drew increasing international criticism. In April 1995, the U.K. and U.S. preempted proposals for lifting sanctions by introducing a resolution to allow Iraq to sell specified amounts of oil and use the proceeds, to be deposited into a U.N.-controlled account, for humanitarian goods. Ultimately, this Resolution (UNSC 986) enabled Iraq 'to use the lure of oil concessions to build political support' for lifting sanctions among three permanent Security Council nations: France, Russia, and China. Between 1997 and 2001, these countries 'garnered $5.48 billion of the $18.29 billion in contracts approved by the U.N.,[50] Additional deals were concluded with oil firms from these countries involving some of Iraq's biggest

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merous occasions the U.S. and U.K. 'declared their goal to oust Saddam and their intelligence services made many efforts to assassinate him or to overthrow his government by military coup'. James A. Paul, 'Oil Companies in Iraq: A Century of Rivalry and War', Global Policy Forum, November 2003; http://www.globalpolicy.org/security/oil/2003/2003companiesiniraq.htm.

45 Text of the Resolution; www.fas.org/news/un/iraq/sres/sres0687.htm

46 Text of the Resolution; www.fas.org/news/un/iraq/sres/sres0688.htm.

47 The 'no-fly-zones' were never sanctioned by the Security Council.

48 *Behind the War on Iraq*, by the Research Unit for Political Economy, May 2002; http://www.monthlyreview.org

49 James A. Paul, 'Oil Companies in Iraq: A Century of Rivalry and War', Global Policy Forum, November 2003; accessed at http:// www. globalpolicy.org/ security/oil/ 2003/ 2003 companiesiniraq.htm. After the withdrawal of U.N. weapons inspectors in 1998, the U.S. and U.K., now free to target any part of what they considered the Iraqi air defense system, dramatically increased the average monthly release of bombs 'from .025 tons to five tons'. Without consulting the Security Council, they launched 'Operation Desert Fox' – 'torrential bombing throughout southern and central Iraq' from December 16 to 19, 1998. *Behind the War on Iraq*, by the Research Unit for Political Economy, May 2003; accessed at http://www.monthlyreview.org/0503rupe.htm.

50 Sarah Graham-Brown and Chris Toensing, *Why Another War? A Backgrounder on the Iraq Crisis*, Middle East Research and Information Project (MERIP), December 2002, http://www.merip.org/iraq_backgrounder_102202/iraq_background2_merip.pdf.

and most lucrative fields,[51] as well as with German firms for weapons and industrial machinery.

While European and Chinese firms concluded deals enabling them to exploit Iraqi oil reserves with an estimated value of several trillion dollars, explore for new reserves in the western desert, and sell services, weapons, and industrial machinery, British and American corporations, shut out by Iraqi hostility, watched enviously from the sidelines and lobbied their governments to find a way to end their exclusion.[52] Meanwhile, since Iraqi deals were on hold until the lifting of U.N. sanctions barring Iraq from selling its oil on the world market,

France, Russia, and China 'pressed for an easing of the sanctions, with support from a growing number of other countries'.[53]

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[51] West Qurna (Russia's Lukoil), Majnoun (France's Total), North Rumaila (China's national). *The Wall Street Journal* (19 September 2002) used oil industry sources to compile the following information: *Companies that initiated deals with Iraq in the 1990s, and reserves of the fields in which they would drill if sanctio s are lifted:*

Company	**Country**	**Reserves (billion barrels)**
Elf Aquitaine (now part of TotalFinaElf)	France	9-20
Lukoil, Zarubezneft, Mashinoimport	Russia	7.5-15
Total SA (now part of TotalFinaElf)	France	3.5-7
China National Petroleum	China	Under 2
ENI/Agip	Italy	Under 2

Reproduced in *Behind the War on Iraq*, by the Research Unit for Political Economy, May 2003, http://www.monthlyreview.org/0503rupe.htm. France's TotalFinaElf won $4 billion in contracts; the Russian oil firms, Lukoil and Zarubneft, won agreements worth tens of billions of dollars. Michael Renner, 'Post-Saddam Iraq: Linchpin of a New Oil Order', a *Foreign Policy In Focus* Policy Report, January 2003, accessed at http://www.fpif.org/papers/oil.html.

[52] Proven Iraqi oil reserves are around 112 billion barrels, but total reserves are estimated at well over 200 billion barrels and may even be as much as 400 billion. What makes these reserves so attractive is the low cost of their extraction, and the enormous profits that makes possible. According to the US Department of Energy 'Iraq's oil production costs are amongst the lowest in the world, making it a highly attractive oil prospect' It is estimated that a barrel of Iraqi oil can be produced for less than $1.50 and possibly even as little as $1. This compares to $5 in other low cost areas, such as Malaysia and Oman, and between $6 and $8 a barrel in Mexico and Russia. Production costs in the North Sea run between $12 and $16 a barrel, while in the US fields they can reach as much as $20. Nick Beams, 'The political economy of American militarism', Part 2, 11 July 2003; accessed at http://www.wsws.org/articles/2003/jul2003/nb2-j11.shtml In the summer of 2001, a National Energy Policy Development Group chaired by Vice President Cheney produced a document (made public after a long court case) that includes a map of Iraq showing its major oil fields and a two-page list of 'Foreign Suitors for Iraqi Oilfield Contracts': a list of 40 companies from 30 countries with projects agreed or under discussion including, in addition to the well-known French, Russian and Chinese deals, companies from Germany, India, Italy, Canada, Indonesia, Japan and other countries. There was not a single U.S. or U.K. deal on this list. James A. Paul, 'Oil Companies in Iraq: A Century of Rivalry and War', Global Policy Forum, November 2003, accessed at
http://www.globalpolicy.org/security/oil/2003/2003companiesiniraq.htm.
r Global Policy Forum, November 2003, accessed at
http://www.globalpolicy.org/security/oil/2003/2003companiesiniraq.htm.

[53] Ibid.

In June 2001, the U.S. and U.K. killed a French and Russian proposal in the Security Council to remove restrictions on foreign investment in the Iraqi oil industry. But maintaining sanctions was at best a stop-gap measure: for, though sanctions prevented international competitors from exploiting Iraqi oil, they prevented Britain and the U.S. from exploiting them, as well. U.N. resolutions from 1990 held that sanctions could be lifted only when the U.N. certified Iraq as being free of WMD. Had the U.N. declared Iraq to be free of WMD in 2001, sanctions would be lifted and French, Russian and German firms would begin rebuilding and exporting Iraqi's vast reserves while, given Saddam Hussein's hostility towards the U.S. and Britain, U.S. and British companies would be side-lined.[54] What Anglo-American oil and other corporate interests needed was, not just an end to sanctions, but a post-sanctions Iraqi order that would nullify European and Asian agreements and welcome U.S. and British firms back in.

It is difficult to see how this could have been achieved other than by regime change. Removing Saddam Hussein would not only enable U.S. and U.K. firms to compete for a share of the enormously lucrative contracts available to foreign firms in a post-sanctions Iraq; but, since the U.S. and Britain would likely play the leading role in any military action to effect a regime change, their firms would be given a decisive advantage in competition for Iraqi assets. A U.S./U.K.-led regime change would achieve a further aim: removing the threat to U.S. and U.K. interests from the euro as an alternative oil transaction currency. In November 2000, Iraq had 'dumped the US Dollar – "the currency of the enemy" -- for the euro', and later converted its $10 billion reserve fund at the U.N. to euros. Consequently, Iraq's oil receipts under the UN's `oil for food' program became denominated in euros, and deposited into a French bank. Not only did France benefit directly, but the entire EU did as well, since many of the sales were counted not in dollars but in euros.[55] In sum, as international support for U.N. sanctions against Iraq was eroding, it became clear that, under Saddam Hussein, European and Asian oil firms would be in an advantageous position in post-sanctions Iraq, and that U.S. and British corporations would be locked out.

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54 'Had Dr. Blix and the U.N. inspectors been allowed to complete their "pre-war" inspection process for an estimated 6 more months in 2003, they could have ultimately determined Iraq was indeed free of WMD'. William Clark, Revisited: 'The Real Reasons for the Upcoming War with Iraq: A macroeconomic and geostrategic analysis of the unspoken truth', January 2003, accessed at http://www.ratical.org/ratville/CAH/RRiraqWar.html.

55 'In Round 2, it's the dollar vs. euro', *Newsweek,* April 23, 2003, accessed at http://www.ratical.org/ratville/CAH/linkscopy/round2DvE.html). See, also, Charles Recknagel, 'Iraq: Baghdad Moves to Euro', Radio Free Europe, 1 November 2000, accessed at http://www.rferl.org/features/2000/11/01112000160846.asp. Iraq earned a windfall of hundreds of millions of euros. Faisal Islam, 'Iraq nets handsome profit by dumping dollar for euro', *The Observer*, 16 February 2003, accessed at http:// observer. guardian.co.uk/ iraq/story/0,12239,896344,00.html. Iran, the second largest OPEC producer was, at the time, actively discussing a switch to euros for its oil exports. During 2002 the majority of reserve funds in Iran's central bank were shifted to euros, and concern mounted as to whether they intend to switch oil payments to euros. 'Economics Drive Iran Euro Oil Plan, Politics Also Key', *IranExpert*, 23 August 2002, accessed at http:// www. iranexpert. com/2002/economicsdriveiraneurooil23august.htm. See, also, 'Forex Fund Shifting to Euro', *Iran Financial News*, 25 August 2002; accessed at http:// www. netnative.com/ news/ 02/ aug/1080.html.

On November 8, 2002, the U.S. and U.K. persuaded members of the Security Council to pass Resolution 1441 calling on Iraq to accept or reject within seven days the unconditional right of U.N. inspectors to search anywhere in Iraq for banned weapons. This set in motion U.S./U.K. preparations for an invasion. The consequences of opposing Resolution 1441 had been made explicit by advocates of regime change. In the months leading up to passage of the Resolution, Iraqi officials of the Iraqi National Congress (INC), an exile opposition group based in London, made clear that only oil contracts concluded 'by a government in Iraq elected by the people' would be respected; and intimated that French, Russian, and Chinese firms would be excluded from any future oil concessions in Iraq unless they supported the policy of regime change.[56] Ahmed Chalabi, leader of the INC (who became Iraq's interim oil minister, April-May 2005, and December-January 2006, and its deputy prime minister from May 2005 until May 2006), made clear that the INC would not feel bound by any contracts signed by Saddam Hussein's government and 'that he would reward the U.S. for removing Saddam with lucrative oil contracts'.[57]

Four months later, on March 21, 2003, British and American land forces entered Iraq. The following day, U.N. Security Council Resolution 1483 (22 March 2003) dropped all sanctions against Iraq, 'effectively ended involvement of other countries with Iraqi oil via the U.N.'s `oil for food' program and voided the various oil exploration contracts that Iraq signed during the 1990's with France, Russia and China, allowed the U.S. and U.K. to completely control Iraq's oil production revenue, and established a joint U.S./U.K. administered 'Iraqi Assistance Fund' which reconverted Iraqi's oil exports back to the dollar.

Conclusions

The oil sectors that were nationalized beginning in the 1970s have been 'a key target' of the current Anglo-American-led project of global economic restructuring. A growing number of oil producing countries are opening their industries to foreign direct investment[58] and, after more than 30 years in the public sector, Iraq's oil sector is now being privatized.

The U.S. and U.K. have secured profit-making opportunities for their oil firms by replacing the government of Saddam Hussein, which was hostile to U.S. and British investment, with one which has now re-written the Iraqi constitution to open up the country's oil fields to domination by U.S. and British corporations. The terms offered by a new Iraqi law to U.S. and British oil multinationals might be seen as part of an effort to set in motion 'a broader wave of denationalization' through the oil industry, 'reversing the historic changes of the early

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[56] Dan Morgan and David B. Ottaway, 'In Iraqi War Scenario, Oil Is Key Issue', *Washington Post,* 14 September 2002, page A1, accessed at http://www.washingtonpost.com/ac2/wp-dyn?pagename=article&contentId=A18841-2002Sep14.

[57] Peter Beaumont and Faisal Islam, 'Carve Up of Oil Riches Begins', *The Observer*, 3 November 2003, accessed at http://observer.guardian.co.uk/iraq/story/0,12239,825105,00.html.

[58] *The Iraq Oil Industry After Sanctions*, Middle East Institute conference proceedings summary, 29 February 2000, reposted on the Global Policy Forum website, http:// www. globalpolicy.org/security/oil/2000/0229mei.html

1970s'.[59] The 'hydrocarbon law' recently approved by the Iraqi cabinet, opens the door to large-scale foreign oil company operations for the first time since the industry was nationalized in 1972. It would allow as much as two-thirds of Iraq's known reserves to be developed by foreign companies and under production-sharing agreements that, in contrast with the technical service contracts that are the general model on which Saudi Arabia, Iran, and Kuwait operate, represent a form of privatization.[60]

Neither the U.S. nor the U.K. especially needs Iraqi reserves for its own consumption. Most of the oil the US consumes is produced domestically, or comes from Canada and Mexico; and Britain, with access to North Sea oil, has plentiful supplies of oil, as well as coal and natural gas; it has the largest energy resources of any country in the EU. Middle Eastern oil mostly flows to Europe, China and Japan. Occupying Iraq and seizing its oil resources enables the U.K. and U.S. to achieve an advantage in relation to its nearest competitors in Europe and Asia.[61] The war has created investment opportunities for US-and UK-based oil companies, which will sell Iraqi oil to European and Asian countries, and has provided opportunities for other US-and UK-based transnationals to profit, as well. These were documented in a joint investigation by Corporate Watch, an independent watchdog, and *The Independent*. Their report identified 'a total of 61 British companies' as benefiting 'from at least £1.1bn of contracts and investment' in the new Iraq. But Corporate Watch believes it could be as much as five times higher, because many companies, which enjoy long-standing relationships with Labour, prefer to keep their relationship secret. Moreover, in five years, 'the £1.1bn of contracts identified in the report will be dwarfed by what Britain and the U.S. hope to reap from investments'. The post-war winners include private security services, banks, PR consultancies, urban planning consortiums, oil companies, architects offices and energy advisory bodies.[62]

While profits paid to British business lag behind those paid to U.S. companies, Britain has taken a leading role in private security firms and political consulting. Corporate Watch estimates there are 20-30,000 security personnel working in Iraq, half of whom are employed by companies run by retired senior British officers and at least two former defence ministers. British private security personnel represent the second-largest western armed force in Iraq after the Americans. The biggest British player, Aegis Defence Services, run by a former British army lieutenant colonel, has a workforce the size of a military division and may rank as the largest corporate military group ever assembled, according

59 Michael Renner, 'Post-Saddam Iraq: Linchpin of a New Oil Order', a *Foreign Policy In Focus* Policy Report; accessed at http://www.fpif.org/papers/oil.html.

60 Emad Mekay, 'Iraqi Oil Law Gives Cover for Corporate Profit', *IPS News*, Posted 2 March 2007; accessed at http://www.alternet.org/waroniraq/48605/

61 Prime Minister Blair indicated as much in his speech to U.S. government officials and dignitaries at the George Bush Sr. Presidential Library in Texas in April 2002: 'Who develops oil and gas, what the new potential sources of supply are, is a vital strategic question'. Julie Hyland, 'Britain: Foreign secretary admits oil central to war vs. Iraq', 14 January 2003; accessed at http://www.wsws.org/articles/2003/jan2003/strw-j14.shtml.

62 Robert Verkaik, 'Iraq: British Companies Making a Fortune out of Iraq Conflict', *The Independent*, 13 March 2006; accessed 6 April at http:// www. corpwatch. org/article. php?id=13385

to the report.[63] Britain is also playing a leading role in consulting services. Adam Smith International, a body closely linked to the right-wing think-tank used by Margaret Thatcher, has been heavily involved creating Iraqi government ministries and continues to influence them. The PR firm Bell-Pottinger advised on the 2004 elections.[64] In the conclusion to the report, Loukas Christodoulou, of Corporate Watch, says:

The presence of these consultants in Iraq is arguably a part of the UK government's policy to push British firms as lead providers of privatization support. The Department for International Development has positioned itself as a champion of privatisation in developing countries. The central part UK firms are playing in reshaping Iraq's economy and society lays the ground for a shift towards a corporate-dominated economy. This will have repercussions lasting decades'.

Britain's role in advancing Anglo-American corporate interests is not limited to Iraq. The $256 billion Joint Strike Fighter project being 'developed by U.S./British corporate partners for sale to the U.S. military and the British Navy and Air Force'[65] has, as its aim, according to Arms Procurement Minister Lord Peter Drayson, to 'ensure that future generations of U.K. and U.S. servicemen and women can continue to stand shoulder to shoulder in pursuit of common goals'.[66] U.S. and British F-35 joint strike fighters are to be deployed by 'two massive new aircraft carriers', each weighing 65,000 tons, 'far larger than any other warship ever deployed in the Royal Navy's history', and giving Britain 'a global expeditionary capability' second only to that of the United States.[67]

This Anglo-American war, to replace an economically nationalist regime that had largely shut British and U.S. capital out of Iraq, has been waged on behalf of essentially Anglo-American corporate interests; but it represents a continua-

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[63] Robert Verkaik, 'Iraq: British Companies Making a Fortune out of Iraq Conflict', *The Independent*, 13 March 2006; accessed 6 April at http://www.corpwatch.org/article.php?id=13385. Aegis has earned more than £246m from contracts with the Pentagon and the CPA. Erinys International, which was formed in 2003 with a contract from the CPA to guard oil sites and pipelines in Iraq, has made more than £86m. Armourgroup's turnover has increased from $71m in 2001 to $233m in 2005; Control Risk Group saw its turnover rise from £47m in 2003 to £80m in 2004 with contracts in Iraq from the Pentagon, the CPA, the Office of Reconstruction and Development and USAID. Kim Sengupta, UK: Blair accused of trying to 'privatize' war in Iraq, *The Independent,* 30 October 2006; accessed at http:// news. independent.co.uk/ world/ middleeast/ article1940825.ece; Peter Almond, U.K.: War's fertile grounds for soldiers of fortune', *The Sunday Times*, 30 October 2005; accessed at http:// www. corpwatch.org/ article. php?id= 14205&printsafe=1.

[64] Tim Bell, another favorite of the Thatcher governments now involved in Iraq, ran the Tories' election campaigns in 1979, 1983 and 1987.

[65] http://www.worldpolicy.org/projects/arms/updates/12999.html

[66] In testimony before the Senate Armed Services Committee; quoted in 'U.S.-British relations take a hit over stealth technology', *USA Today*, posted 3/25/2006 at http:// www.usatoday.com/news/washington/2006-03-25-jsf_x.htm

[67] Paul Rogers, 'Tony Blair's Long War', 18/1/07; http://www.opendemocracy.net/articles/ViewPopUpArticle.jsp?id=2&articleId=4258. Britain and the U.S. have also concluded a 'groundbreaking technology alliance to undertake work in network and information sciences'. Andrew Chuter, U.S., British Experts Team for Defense Research, DefenseNews.Com, 08/22/05; http:// defensenews.com/ story.php?F= 1045141&C=europe

tion of British policies toward the Middle East and toward Iraq that pre-date the Anglo-American corporate partnership and political-military alliance. Though it is the U.S. military that has predominated in the take-over of Iraq, British capital is taking a massive share of the spoils. The role of British companies in the development of Iraq's new political and economic structures means that British business will be intimately involved in Iraq for many years to come; and the protection of these companies will require a permanent British and U.S. military force in the Persian Gulf. Moreover, Anglo-American military capabilities are being designed for contingencies that will take British and U.S. troops and businesses far beyond Iraq.

Sandra Halperin is a Lecturer at the Department of Politics and International Relations of the Royal Holloway Institute, University of London