

## **CHAPTER III**

### **THE HISTORY OF OIL WAR**

In this chapter the writer would like to explain about the history of oil war. There will be an explanation about embargo of oil in Yom Kippur war in 1973, gulf war, embargo of oil in Mexico and the war of oil prices between United States and Saudi Arabia including the relations of United States and Saudi Arabia.

#### **A. Yom Kippur War 1973**

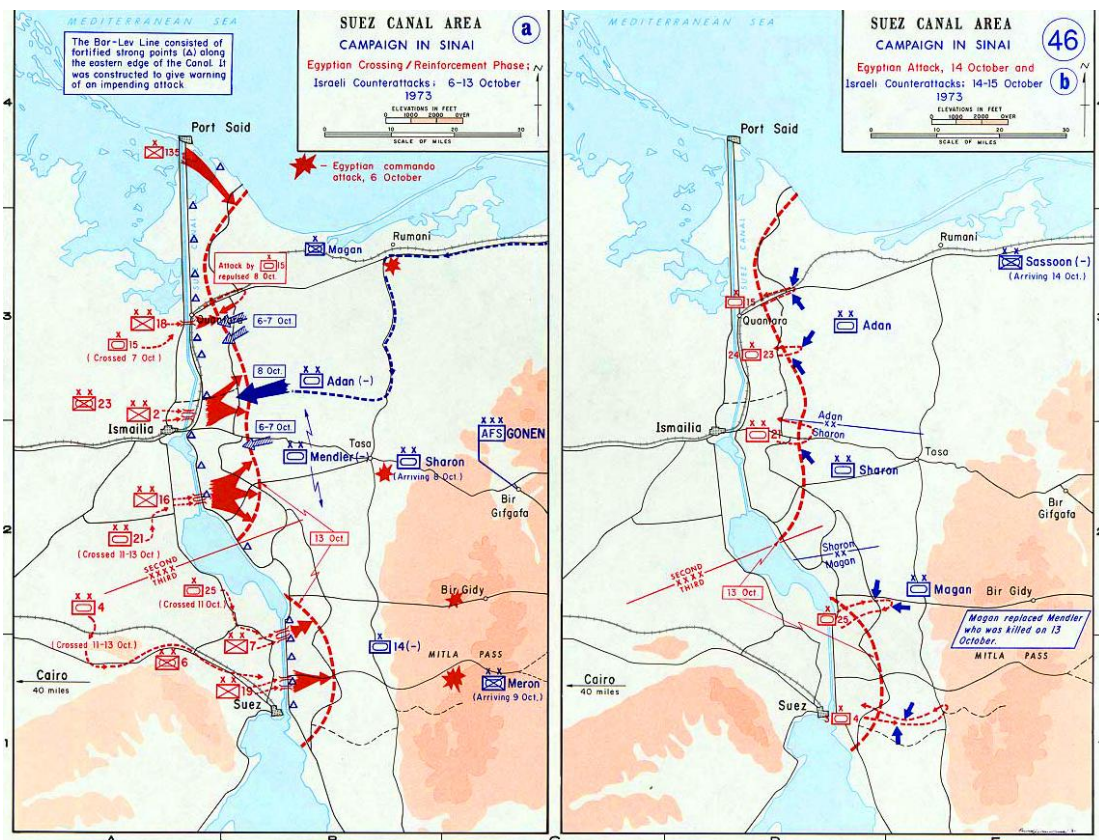
Yom Kippur War was a war that occurred in 1973 between Israel against Egypt and Syria it also called Ramadan War 1973. On October 6, 1973, on Yom Kippur day which is the greatest Jewish holidays, when the people of Israel are in devout celebration and also coincides with the month of Ramadan for Muslims. Syria, Libya and Israel invaded Egypt unexpectedly. Yom Kippur War began when Israel claimed 56% of Palestine as the land belongs to the Jews after World War II ended (Siniver, 2013) . Moreover, Arab countries refused to recognize Israel as a sovereign state. Arab countries seek to restore land that they feel is the right of the Palestinian people in the Suez-Sinai War. Suez-Sinai war also known as Suez crisis had occurred in 1956 in which the military attacked Great Britain, France and Israel against Egypt. This attack was launched on July 26, 1956 (Troen & Shemesh, 2005).

Egypt nationalized the Suez Canal after getting an offer from the United Kingdom and the United States fund for the construction of the Aswan Dam had

been revoked. Egyptian President Gamal Abdul Nasser had announced to all parties to the nationalization of the Suez Canal.

The impact of the nationalization of the Suez Canal is the ships owned by Israel could not cross the canal area; it made Israel plans to attack Egypt. On the other hand, France and the United Kingdom also intended to colonize the region.

Figure 3.1 The Map of Suez Canal Area



Sources: <http://jakartagreater.com/perang-arab-israel-1973/> retrieved March 3, 2017

Israel began to attack on October 29, 1956 by conducting strikes in the Sinai Peninsula (Troen & Shemesh, 2005). The battle did not end there, two days after the attack by Israel against Egypt, two other countries that also wanted to seize the Suez Canal participated in conducting attacks against Egyptian. France and

Britain sent troops to the Suez Canal. The purpose of those attacks is to frustrate the nationalization of the Suez Canal that will be carried out by Egypt (Troen & Shemesh, 2005).

Figure 3.2 The Map of Land Taken by Israel During The War



Sources: [http://news.bbc.co.uk/2/hi/middle\\_east/6709173.stm](http://news.bbc.co.uk/2/hi/middle_east/6709173.stm) Retrieved March 3, 2017

Yom Kippur war occurred when Syria, Libya and Egypt invaded Israel suddenly. In the Golan Heights, the Israeli defense line which amounted to only 180 tanks has to deal with the 1400 Syrian tanks. Meanwhile in the Suez Canal, fewer than 500 Israeli soldiers are dealing with 80,000 Egyptian soldiers (Dunstan, 2003). In the Six Day War in 1967 Egypt was lack of air defenses so that when 3/4 of the Egyptian air force destroyed, Syria can still provide resistance. Being aware that the fighter who fleet to Egypt still used old technology compared to

Israel, Egypt finally implemented strategies such as umbrella air using missiles and antiaircraft guns which move the firing range of its combined. Israeli air forces finally overwhelmed even many victims seek to penetrate the air defenses (Dunstan, 2003).

At the beginning of the war, Israel was forced to withdraw its troops. However, after mobilizing reserve soldiers, they could hit the invading army until far in Egypt and Syria. Israel managed to tame the Egyptian air umbrella that turned slowly in his army to accompany the forward movement, by directly filling the gap between the umbrella airs with the troops that are already further ahead. As a result, several divisions of Egypt got stuck even they ran out of supplies. While on the eastern front, Israel managed to resist the attack of armored Syria (Dunstan, 2003).

## **B. Oil Embargo towards Israel, United States, France and United Kingdom**

The impact of the Sinai-Suez war continued until Yom Kippur. At that time, Israel gets help from the British, United States and France. Saudi Arabia has great potential in terms of oil began to organize a plan to fight the four countries. Then, Saudi Arabia makes a coalition with the Middle Eastern countries that have joined the *Organization of Arab Petroleum Exporting Countries* (OAPEC) to impose an oil embargo against countries that support Israel including the United States. The impact which derived from the embargo has a very significant increase on the price of oil in the United States and some western countries (Siniver, 2013).

The oil embargo also aims to pressure Israel to lift the foot support of Palestine and Saudi Arabia. In economics, the oil embargo also results in restrictions on the production of oil exports to neighboring countries, so that Saudi Arabia can maintain reserves of oil and the oil can be sold at a high price.

Oil also is the effective thing as a weapon to defeat the other country. In 1973 when the Yom Kippur war was going on, OPEC was angry with the intervention of the United States who supports Israel, to do an oil embargo. Petroleum prices increased 400% within a month (Dunstan, 2003).

This phenomenon is like opening a new chapter for the world of international relations. Arab oil embargo indicates that the natural resources we have can be a weapon in the political and economic relations with other countries. Surely this is also a success of the countries of the Middle East in political and economic fields. The embargo also exerts significant influence of the geo-economic situation in the United States and other Western countries. Companies in the United States collapsed because many of them did not get enough oil supply (Dunstan, 2003). A policy to conserve oil reserves in the United States finally determined under the administration of Richard Nixon.

Another effect is the separation of the interests of Western Europe, Japan and the United States. In the era before the oil embargo, the interests of Western Europe, Japan and the United States can be considered equal and one. Post-embargo, the respective interests take precedence (Siniver, 2013). The embargo also had a positive impact. Some of these include the decline in United States oil consumption by 20%, power saving by the public to conserve oil (Dunstan, 2003).

A study has been conducted by United States scientists to obtain alternative energy, and setting public facilities by the government to improve the efficiency of oil consumption. However, the Arab oil embargo also has negative impacts, such as the decline of the United States auto industry, and the emergence of new competitors such as Japan to United States industry. In this way, after the embargo in 1973, the industrial development in the world started evenly and not just concentrated in the United States and Western Europe alone (Dunstan, 2003).

### **C. The Gulf War**

#### **1. Gulf War I: Iran vs Iraq (1980-1988)**

The outbreak of war between Iraq and Iran on 22 September 1980 (Donaldson, 1996) is an important concern for causing global concern. It can result a serious problem for other countries. It is known that both Iraq and Iran are in the Middle East region which has the potential of natural resources such as oil which become a staple for many other nations. The outbreak of the war did not rule out the possibility of the involvement of Arab states around it and resulted in stalled or disruption of oil flows which provides a livelihood for some western industrial countries and Japan (Donaldson, 1996).

United States and Soviet Union that serve as superpower states can engage in war waging an armed confrontation that surely will bring adverse effect and the more the difficulties of war. Persian Gulf region which have the sources of oil can caused the dependence industrialized countries including the Western nations and Japan. Now, the Persian Gulf region became the center of the global power

balance. In the beginning of Iraq invasion, Iraq predicted that Iraq would easily thwart resistance to Iran and achieve the offensive goals quickly. It happened because after the revolution leader Ayatollah Khomeini caused some effects like the ability Iran military dropped drastically, the armed forces were hated and scorned by the people as Reza Shah 's tool to oppress the people. The result is that approximately 60% of its members are deserting (running away from the army), while many senior officers were executed, imprisoned or retired (Donaldson, 1996).

The Revolution also has an impact on the morale of Iranian troops who became very poor. In addition, as a result of the crisis with the United States, Iran's armed forces have many difficulties in terms of the training, the maintenance of military equipment, as well as the supply of ammunition. In this case Saddam Hussein intends to master some important cities to strengthen its position at the negotiating table and give opportunity to the opposition in the country to revolt and overthrow the Khomeini regime and establish a friendly government. If the strategy is successful president Saddam Hussein will emerge as the leader of the Arab world and Iraq will become the force dominance in the Gulf region (Donaldson, 1996).

Most Arab countries are not happy with the Khomeini regime for attempting to export the Islamic revolution to other countries that it interferes with their stability and security. The Gulf region and the dominant position of leadership in the Arab world are apparently also encouraging Iraq to invade Iran. Thus, war in Iraq and Iran also for regional power struggles. Iraq made a big mistake with Iran,

when the situation of the country is still very chaotic. Iran did attack resistance in air and sea. However, Iraq can take the vital areas of Iranian oil. Because Iran is sure to be able to drive out Iraqi troops, Iran rejected the offer of Iraq to end the war and resolve their disputes peacefully and mediation efforts. The war that was predicted that Iraq would be able to win the war in a short time, but the war was running for 8 years instead (Donaldson, 1996).

**a. The intervention of Arab nation towards Gulf war I**

Arab support on Iraq occurred because many Arab nations want the fall of the Khomeini regime and the emergence of a new government that is willing to respect the principles of neighborliness. King Hussein of Jordan is the one who most firmly supported Iraq and pledged to him. This is understandable because between the two countries have established good relations. However, King Khaled of Saudi Arabia also expressed its support for Iraq in combat Pan-Arab and in the conflict with Persia, the enemy of the Arabs (Donaldson, 1996).

Moreover, Kuwait, Bahrain and the United Arab Emirates sympathized with the struggle of Iraq. Support for Iraq was confirmed at the battle of the Arab summit in Amman. However, the war also raised concerns among Arab nations, because it can involve them and cause much harm to them. On September 29, Prime Minister Ali Rajai threatened to take action against countries that helped Iraq. However, Jordan remains at its founding and continue preparations to help Iraq. Aqaba port remains available for the needs of Iraq and the region used to transport supplies for Iraq unloaded at that port (Rockoff, 2012).



In addition to help Iraq 40,000 troops had been prepared. Because of the attitude of the Jordan, Iraq could deploy more troops and weapons to the territory of Iran (Donaldson, 1996). It does not include any foreign intervention because of the Arab nations to intervene in the battle to crush the Islamic Revolution carried out by Iran and kindness for the sake of residence in all regions of the Arab Nation. The Arab States regions are generally have alignments to Iraq as a country which fighting for Arab interests, including Jordan by King Hussein who most firmly supported Iraq and promised to help him. Iran may feel cornered and attacked their oil fields and close the Strait of Hormuz. When the oil installations are burning by Iran and Iraq, it became very clear that the position of Kuwait, Saudi Arabia, Qatar, and United Arab Emirates are very vulnerable (Rockoff, 2012).

**b. The intervention of United States and Soviet Union in Gulf war I**

United States and the Soviet Union did not just follow the passage of the battle carefully, but also took steps to secure the interests of each state and may also improve the position of each country. For Washington, this war is an opportunity to be able to recover its position in the region. Similarly, for the rival Soviet Union could open the opportunity to assist the elements left in Iraq and in Iran in the event of a power struggle as a result of defeat in the war (Rockoff, 2012).

The success of the *Left group* to take power in one state will improve the position of the Soviet Union in the region, especially if the Soviet Union managed

to put people at the pinnacle of power as happened in Afghanistan. However, the United States and the Soviet Union have agreed not to intervene in the war. However, the involvement of the United States and the Soviet Union in this war will only complicate the settlement of disputes Iraq and Iran.

United States and the Soviet Union have agreed not to intervene in the war. If the United States and the Soviet Union intervene in Gulf War I, it will be condemned by other states seeking to limit the conflict and resolve it peacefully. This was done in recognition that intervention would provoke the other intervention and it will lead to an armed confrontation between them. Henceforth, the two superpowers were concerned that this war stays limited to the two countries and there is no one party that came out as the winner (Rockoff, 2012).

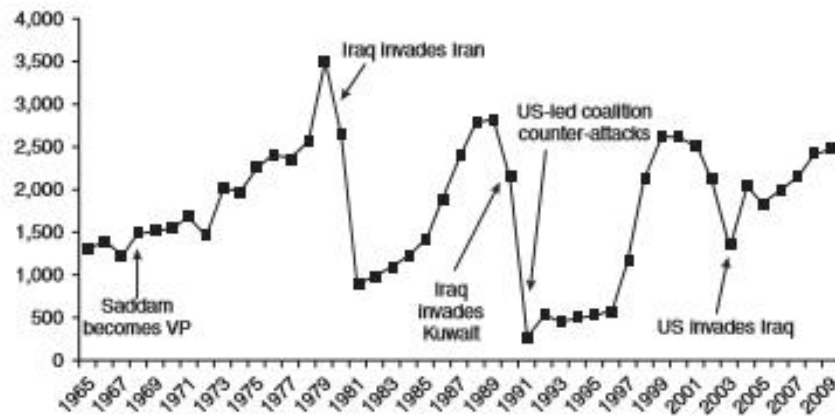
## **2. Gulf War II: Iraq vs Kuwait (1990)**

The second gulf war took place on 2 August 1990, which caused of war over the invasion of Iraq to Kuwait; the war can also be called Gulf War (Colgan, 2013). Iraq made strategy in fast motion which directly controlled Kuwait. Emir of Kuwait Sheikh Jaber Al Ahmed Al Sabah soon left his country and Kuwait made all 19 Iraqi provinces by the name of Al-Mitla` Saddamiyat on August 28, 1990, even though Kuwait responded with air strikes against positions small Iraqi position on August 3, 1991 (Colgan, 2013).

The invasion of Iraq towards Kuwait was caused by the deterioration of the Iraqi economy after the Eight-Year during Iran-Iraq war. Iraq is in dire need of petro dollars as the economic income while low prices of petro dollars because of

the overproduction of oil by Kuwait and the United Arab Emirates were considered by Saddam Hussein as an economic war and disputes over oil fields Rumeyla even in the post-war against Iran, Kuwait to help Iraq by sending supplies oil for free.(Colgan, 2013).

Figure 3.1 Iraq’s oil production 1965–2009, thousands of barrels per day



Sources: Colgan, J. D. (2013). *Petro aggression, when oil causes war*. United Kingdom, UK: Cambridge University Press. Available from <http://bookzz.org/>

Oil became the largest sector in Iraq. Figure 3.1 shows the development and the up and down condition of Iraq oil production. Under Saddam Hussein administrations Saddam Hussein nationalized all the oil companies in Iraq (Colgan, 2013).

In addition, Iraq raised the issue of border dispute as a result of the British legacy in the division of power after the fall of the Ottoman Turks. As a result of this invasion, Saudi Arabia asked the help of the United States on August 7, 1990

(Colgan, 2013). Previous UN Security Council imposed an economic embargo on August 6, 1990 (History.com Staff, 2009).

The act of United States in sending troops to help Saudi Arabia is followed by other countries both Arab countries except Syria, Libya and Jordan as well as Palestine. Then came the European military assistance particularly Western Europe (Britain, France and West Germany), as well as several countries in Asia. United States and European was forces under joint command which was led by General Norman Schwarzkopf and General Collin Powell. Arabian Military Forces, led by Lt. Khalid bin Sultan (History.com Staff, 2009).

Diplomatic missions between James Baker and the Iraqi foreign minister Tareq Aziz failed in January 9, 1991. Iraq refused UN demands that Iraq withdraw its forces from Kuwait January 15, 1991. Finally, US President George H. Bush allowed declaring war by the United States Congress on January 12, 1991. The operation Desert Storm began on January 17, 1991 which was started by the air attacks on Baghdad and other Iraqi regions as well as operations on the mainland resulting ground war that started on January 30, 1991 (Colgan, 2013).

Iraq retaliated by provoking Israel to bombard Israel, especially Tel Aviv and Haifa. In Dhahran, Saudi Arabia with Scud B missile attack Soviet-built Iraqi assembly, as well as war environment by burning oil wells in Kuwait wells and oil spilled into the Persian Gulf. Soviet Union had been a bargain for peace to Iraq which made on diplomacy Yevgeny Primakov and President Mikhail Gorbachev of the Soviet Union, but rejected President Bush on February 19, 1991 (Colgan, 2013). Meanwhile, the Soviets finally did not take any further action in the United

Nation Security Council such as a veto. Israel asked the United States not to take retaliatory attacks on Iraq to avoid a reversal of the military force of Arab Countries who are fear that it would change the course of the war (Colgan, 2013).

### **3. Gulf War III: United States vs Iraq (2003)**

The Allied invasion of Iraq in 2003 was an allied attack led by the United States to seek and destroy Iraq who is accused of harboring weapons of mass destruction. This invention was officially started on 19 March 2003 (Colgan, 2013). The official goal of this invasion set in the United States was to disarm Iraq of weapons of mass destruction, end support for Saddam Hussein to terrorism, and to liberate the Iraqi people from Saddam's authoritarian rule. Preliminary preparation of this war has been started when the United States gathered 100,000 soldiers in Kuwait (Donaldson, 1996). United States purposely provided the majority of troops for the invasion, with support from Coalition forces consisting of more than 20 states and Iraq's Kurdish north.

The invasion of Iraq in 2003 is the opening of the Iraq war. When Iraq had fallen into the hands of the Coalition, they continued a war that inflamed insurgents against coalition troops of the United States until 2011 (Colgan, 2013). The invasion of Iraq by the United States and its coalition was because the allegations were not true. Therefore, after the war did not prove their allegations and even the United States and coalition politics who want oil there, accusing that Saddam Hussein had weapons of mass destruction which could threaten the lives

of all the people on earth, United States launched a massive attack to Iraq (Colgan, 2013).

In addition to these allegations, the United States has also accused that Iraq has violated UN resolutions, policies that oppress the people of Iraq, and the attempted murder of George H.W. Bush (Donaldson, 1996). United States and its coalition aim to overthrow the authority of Saddam Husein and dragged him to the international court. Finally, through a fierce battle, United States can successfully ousted Saddam regime. Iraq Residents also welcomed the collapse of Sadaam's authoritarian administrations excitedly. However, after the fall of the dictatorship in Iraq, there are still too many civil wars between groups competing for power and authority to hold the government. Terror and suicide bombings happen everywhere because of a tantrum and scenarios allies to control Iraq and make it a United States puppet. Allies eventually want to control the oil and nuclear uranium that belongs to Iraq. It is an actual attack to have the oil, but under the pretext liberating the people of Iraq from a dictator leader (Donaldson, 1996).

#### **D. The Oil War: United States vs Saudi Arabia (2015)**

The history of United States and Saudi Arabia relations had lasted long enough, since the United States was given the right of oil mining concessions in the Middle East by the Standard Oil Company. From time to time, United States, also known as a superpower began to focus their attention to the Middle East by being the main actor which influences the political dynamics of Middle East.

However, from many Middle East countries that have diplomatic relations with the United States, there was one country which has 'special' relations with United States instead of diplomatic relations between United States and Israel. It was Saudi Arabia.

United States began to focus seriously to Middle East region in line with the developing and operating of various mining companies' oil in United States. It began when the discovery of oil resources in Bahrain, Saudi Arabia and Kuwait. United States began to expand their major into the oil-producing region. United States then managed to get a concession to join the Standard Oil Company on 29 May 1933 and to obtain oil exploration rights for 60 years and covers a vast area in the eastern part of Saudi Arabia (Saudi Aramco, 2017). The production of shale oil which is belongs to United States makes Saudi Arabia threatened. Saudi Arabia began to keep produce crude oil to defeat the shale oil.

The low of oil prices hit the economies of some countries, especially the oil producers. Saudi Arabia was difficult because income countries have been relying on oil revenues. In addition to Saudi Arabia, Canada also suffers because it is one of the world's biggest oil exporters. Crude oil prices were below USD 50 per barrel, to be a disaster and hurting economic growth Canada. Although world oil prices remained low, Saudi Arabia continues to refuse to reduce the supply to balance demand. Current world oil supplies are abundant and make the price stumbled in the range of USD 50 per barrel. Saudi Arabia's policy of war triggered a small state oil producer among OPEC members, particularly Saudi Arabia. (Nasional, 2016)

Small countries such as Venezuela and Algeria find difficulties due to lower world oil prices. Smaller countries want OPEC and Saudi Arabia to cut supplies to help lift oil prices. As the largest producer, Saudi persisted that they did not want to reduce the supply. They remained at low oil prices aimed at pressuring the United States to come out of the global oil market. In that way, the Saudis will again have a market share that has been switched to the United States. (Mujiyanto, 2016)

Eleven years ago, Saudi Arabia is the largest oil-producing countries of the world. But, in recent years, the production of crude oil skyrocketed thanks to shale oil. Shale oil is a kind of oil contained in soft rock. The shale oil in the rocks was extracted by heating or other techniques. With the discovery of abundant oil shale reserves, the United States has oil reserves to meet its needs for hundreds of years into the future. in 2015, the United States produced nearly as much as Saudi Arabia. US oil strikes make the world oil price dropped from USD 100 per barrel to around \$ 40 since mid-2014 past. (Republica, 1970)

Declining world oil prices up 60 percent since June 2014 ago has slashed OPEC's revenues nearly \$ 500 billion per year. This figure is derived from the International Energy Agency data. Saudi Arabia's official news agency reported that the country is ready to cooperate with all the oil producing and exporting country. However, these comments did not provide details or signal willingness of Saudi Arabia to reduce the supply. The Ministry of energy in Saudi Arabia said that his country would not back down and reduces production if Russia continues to produce nearly 11 million of oil per day. (Mujiyanto, 2016)



Saudi Arabia is now joined by other oil-rich countries such as Qatar, Kuwait, and they have the ability to withstand oil prices cost at least for a few more years. Gulf countries, especially Saudi Arabia could theoretically reduce oil production. But they are reluctant to do that because it did not want to cede market share to the United States, Russia and other rivals that are not included in the OPEC member. (Mujiyanto, 2016)

The oil revolution in the United States which is shale oil in fact holds the key to the current low oil prices. Shale technology has changed the way the world oil industry over the years. Oil Shale Technology has transformed the industry over the years. They could be better because it is based on technology. However, Saudi Arabia is still just waiting for US oil producers to stop flooding the market with oil. The problem is that the energy industry in the United States is not as OPEC, the cartel that they are not designed to fix prices. (SINDO weekly, 2014)

Since June 2014, world oil prices continued to fall sharply. Due to a trade war between the members of Organization of Petroleum Exporting Countries (OPEC) with United States. OPEC, led by Saudi Arabia see shale oil produced US oil companies have become a threat to them. United States shale oil production boom causing the world oil supply is abundant. As a result, the price of these commodities in the market fell very sharply, and then eroded income countries that have been relying on oil, including OPEC members. (SINDO weekly, 2014) In the midst of the decline in oil prices, Saudi invites OPEC member countries to combat the booming United States shale oil. However, OPEC should not cut off so that the oil flooding in the market and the price is low.

The aim for United States oil producer is only to gain little benefit from the oil price.

Actually, some OPEC members such as Venezuela, Iran, and Algeria proposed production cuts that oil prices back up. However, because Arabia has enormous power in OPEC, proposed by the three countries eventually lose. Saudi Aramco, which is 100% owned by the Saudi government, every day can produce as much as 12 million barrels of oil per day. Saudi does have great strength in the oil market this war, because the cost of oil production is quite low, at just US \$ 10-US \$ 17 per barrel. While the production cost of US shale oil reached US \$ 70-US \$ 77 a barrel per day. With current oil prices below \$ 30 a barrel per day, Saudi still make a profit, while United States losses. (Republica, 1970)

However, the countries that have income largely from oil, including OPEC members will obviously be disrupted. For example is Russia. The economy is now facing a major recession storm due to the falling price of oil and the economic embargo by the United States and its allies. Another example is Iran. To finance government spending, Iran needs oil prices of US \$ 136 per barrel, while Venezuela US \$ 117 per barrel and Saudi US \$ 92 per barrel. Instead, the United States has no problem with the government budget when oil prices are low. United States is an oil importer. Unfortunately, in the midst of such oil price war, the economy of major countries except the United States is anemic, especially China. China's economic growth last year was only 6.9%. In fact, in recent years China has one of the world's biggest oil imports. (Republica, 1970)