

**THE UNITED AND STATES AND IRAQ
FROM ENEMIES TO FRIENDS AND BACK, TEN YEARS OF
US-IRAQI RELATIONS, 1983-1993**

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Introduction

Since the start of the twenty-first century, it has become unfathomable to imagine the Middle East without the United States of America (US) entangled in its affairs. However, it was not until the last two decades of the last century that the US got involved in two armed conflicts in the Middle East, separated in nature by the end of the Cold War in 1989. The first conflict is the Iran-Iraq War from 1980 until 1988, which was a war between the two most powerful nations in the Middle East at that time. In this war, Iraq received military, financial, and technological aid by the US. The second is the Gulf War, which started after Saddam Hussein invaded Kuwait in 1990 and lasted until the spring of the following year when a coalition lead by the US defeated Iraq.

Historian Andrew Bacevich provides the basis for the theoretic framework we build on in his book *American Empire: the realities and consequences of U.S. diplomacy*. Central to this publication is the notion of America's commitment to global openness, a world marked by globalization and showing interconnectedness in trade, ideology, and foreign policy. He reasons that because of the strong position of the US, it will be able to influence the countries following in its footsteps, to 'preserve and reinforce American preeminence'. Building on that, he argues that unrest in the Middle East directly undermines that goal.¹ The importance of oil to the industrialized economies consequently means that the oil-rich Gulf was inseparably connected to security and well being of the US and its allies.

This thesis looks at America's involvement in the Iran-Iraq War and Gulf War in the context of Bacevich' theory on American foreign policy. By leveraging its

¹ Andrew J. Bacevich, *American Empire: The Realities and Consequences of U.S. Diplomacy*. (Cambridge: Harvard University Press, 2004), 3-4, 8, 99.

strong economic position, the US sought to influence Iraq within the Middle Eastern sphere. By analyzing how this policy changed over time, we can assess how they reflected American policy during pertaining to the Middle East. The central question in this thesis is thus in which way America's commitment to regional stability manifested itself in American economic policy with regards to Iraq between 1985 and 1993.

To answer this question, different facets of this economic policy need to be researched. First of all, it is important look at the different aspects of American economic policy with regards to Iraq and what they entailed, in this context meaning any way in which the US sought to expand or limit Iraq's access to money. This means the way in which the US leveraged its position to help the Iraqi cause in the eighties, and crush it in the nineties. Analyzing the different components of the policy adopted by the US will show us the breadth of the differing measures taken by the US. The focus of America's policy will be on the agricultural credits, an American program to stimulate the export of American agricultural products abroad, provided to Iraq during the Iran-Iraq War and following years, and sanctions imposed on Iraq after the start of the Gulf War.

Second, why the US chose to adopt these policies. This sub-question aims to explain why the US adopted certain policies and how each measure ties into its strategy of maintaining stability to the region. Analyzing why different measures were taken in relation to the changing circumstances during the 1983-1993 timeframe will give insight in what way they can be seen as part of America's commitment to global openness. These financial measures ranged from direct financial aid, to agricultural programs and loans, and later sanctions and embargoes.

Third and lastly, an analysis will be made if the financial strategy of providing loans and later imposing sanctions of the US had the envisioned outcome. Considering the US went to war on Iraq – again – in 2003, it seems appropriate to look at the successfulness of the measures taken by the US in both the short and long-term. While it is difficult to attribute the outcome to those measures alone, comparing the intended and actual outcome will give us an idea if the US pursued the right line of action. By looking at the developments of how these credit programs and sanctions evolved over time and gauging them against Iraq's gross domestic product (GDP) and export of oil, we can evaluate their effectiveness. By analyzing these three different aspects of America's financial policy pertaining to Iraq, we can answer the main question.

This thesis is based on primary resources and secondary literature. Primary sources will be used in the form of declassified memo's and policy papers, as well as US government reports, like data on agricultural grants provided to Iraq through the GSM program by the Foreign Agricultural Service (FAS)² and energy reports issued by the U.S. Energy Information Administration (EIA).³ Moreover, data on the Iraqi economy like its GDP, as well as the financial side of Iraq's oil industry will also be used.

The academic discussion on the Iran-Iraq War and the Gulf War share a similar trend in their historiography. Both topics can be roughly divided in three different periods when academic writing on the subject flourished: First, there is the literature written in the wake of the Iran-Iraq War and Gulf War and is a combination of primary accounts, journalism and academic research. These offer a fresh perspective on then recently transpired events, still unfolding and thus being generally

² Foreign Agricultural Services, <https://www.fas.usda.gov/> (accessed November 2017).

³ U.S. Energy Information Administration, <https://www.eia.gov/> (accessed November 2017).

one-sided in their approach. The second wave of publications comes around the US invasion into Iraq in 2003, looking to place the invasion in historical context, and some, perhaps, justifying it as well. Unfortunately, much of what was written around this time has a political bias, while doing little to further academic discussion. The third and last wave, although a modest one, started around the Arab Spring and 2011 retreat of the US from Iraq, and delves into the troves of Iraqi documents that were captured after the 2003 invasion.

Most literature on the Iran-Iraq War has been written in the wake of the conflict and just before the invasion of Kuwait. One such account is *The Iran-Iraq War: Impact and Implications* published in 1989 by Efraim Karsh, an Israeli scholar.⁴ It gives an overview of the events, but lacks the historical perspective that a volume written so close to the end of the war needs. As far as the implications of the war for the US goes, the best account is written in name of the United States Army War College entitled *Iraqi Power and U.S. Security in the Middle East*, which looks at what the Iraqi victory would mean for America's role in the region. The authors correctly concluded that the Iraqi military apparatus emerged strong from the conflict and helped in understanding how Saddam so swiftly conquered Kuwait just mere months after it was published.

One other significant contribution is *The Superpowers' Involvement in the Iran-Iraq War* by Adam Tarock, published in 1998.⁵ It is the only book written on the Iran-Iraq War that sees it as a direct cause for Gulf War, providing a welcome perspective in how the former partially caused the latter. Moreover, Tarock makes a good analysis of the way in which the US implicitly encouraged Saddam Hussein's

⁴ Efraim Karsh, *The Iran-Iraq War: Impact and Implications* (Basingstoke: Macmillan, 1994).

⁵ Adam Tarock, *The Superpowers' Involvement in the Iran-Iraq War* (Commack: Nova Science Publishers, 1998).

bellicose behavior by supporting him during the Iran-Iraq War. He argues that the US acted inappropriately and against its own long-term interest during the Iran-Iraq War. This is expanded on by Zachary Karabell, who looks at the 1988-1990 period following the Iran-Iraq War. He specifically looks at this period and analyzes US policy in light of the domestic backlash against it, but comes to the same conclusion as Tarock, arguing that the US gave of a completely wrong message to Iraq through its economic policy.⁶

The impending 2003 invasion of Iraq by the US saw scholars going back to the Iran-Iraq War. *Iran, Iraq and the Legacies of War* is a volume written in the wake of the invasion that seeks shed light on the Iran-Iraq War from both the Iraqi and Irani side. A single chapter is about US involvement and while it does explore America's role during the Iran-Iraq War, it only looks at effect of the relationship between Iran and Iraq in the long run, while repeating what Tarock had already assessed with regards to how it affected the US.⁷

After the invasion in 2003, many primary Iraqi sources were acquired and translated into English. This information was valuable in giving insight in Saddam's regime during the Iran-Iraq War, as well as the years leading up to the Gulf War. In the 2014 publication *The Iran-Iraq War: New International Perspectives*, the argument made is that even though US influence in the Gulf region was small before 1980, security and cohesion was still a clear goal. As such, it is reasoned American involvement in the Iran-Iraq War was the obvious next step of America's commitment to stability in the Gulf and not the start of this policy.⁸ This thesis expands on this notion by placing American involvement in the context of the

⁶ Zachary Karabell, "Backfire: US Policy toward Iraq, 1988-2 August 1990," *Middle East Journal* 49, no. 1 (1995): 28-47, 31.

⁷ L. Potter and G. Sick, *Iran, Iraq, and the Legacies of War* (New York: Springer, 2004).

⁸ Nigel J. Ashton and Bryan R. Gibson, *The Iran-Iraq War: New International Perspectives* (London; New York: Routledge, 2014).

developments after the Iran-Iraq War.

With regards to the Gulf War, a similar trend in the historiography can be seen as on the Iran-Iraq War. In the two to three years following the Gulf War, much was published, mostly based on recent political events, journalism and report by think tanks. As such, they didn't age very well. Moreover, unlike America's involvement in the Iran-Iraq War, America's military action to fight Iraq to liberate Kuwait was not nearly as controversial, sparking less politicized discussion on the actions taken by the US. One publication written in those years is *The gulf Conflict 1990-1991, diplomacy and war in the New World Order* by Lawrence Freedman.⁹ While the book itself does not posit any striking argument, it does a good job in highlighting the different nation's motives to partake in operation Desert Storm.

Around the 2003 invasion, the academic discussion flared up again, looking at the Gulf War for answers about America's invasion. Many studies on the Gulf War look at the role of the media, environmental implication or make a military or strategic analysis. Surprisingly little on the Gulf War looks at the conflict from a political angle or the implications it had on an international level. This can be attributed to the fact that there was hardly any opposition to operation Desert Storm itself. The most meaningful contribution to the debate on the Gulf War that delves into the political side is *The Gulf War Reconsidered*, The main argument is a critique of the way the US handled the end of the war, stating that the US should have pushed on and toppled Saddam, thereby preventing a decade of harsh sanctions on Iraq and – ultimately – a more stable Gulf region.¹⁰

What has been more extensively written about is the aftermath of the war. The

⁹ Lawrence Freedman and Efraim Karsh, *The Gulf Conflict: 1990-1991: Diplomacy and War in the New World Order* (London; Boston: Faber and Faber, 1994).

¹⁰ Andrew J Bacevich and Efraim Inbar, *The Gulf War of 1991 Reconsidered*. (Hoboken: Taylor and Francis, 2013).

harsh measures taken to paralyze the Iraqi economy are much debated, though this discussion revolves mainly around the human suffering as a result of these measures, more than the political and geo-strategic aim of these sanctions.¹¹ One study that does look at during the 1990's, is of the hand of Stephen Pelletière, a senior political analyst for the CIA on the Middle East during the 80's and 90's. The 2001 book *Iraq and the international oil system* examines the prevalent tensions and inherent problems that the Gulf region's oil supply – and Iraq's in particular – have. He argues the unsustainable situation created after the Gulf War with the sanctions system would inevitably lead to another conflict.¹² Little did he know two years later the US would invade Iraq.

Central to the discussion of American foreign policy are several different discussions about the nature of said policy. These discussions provide the theoretic framework for this thesis. Using the relationship between ideology and form reveals the underlying dynamic of America's international politics concerning the region. That is to say, the way in which continuities in ideology but changes in form manifested itself in American foreign policy between 1984 and 1993.

Building on Bacevich' notion of commitment to global openness, this thesis explores how the US got intrinsically tangled up in the Gulf's affairs. F. Gregory Gause builds on Barry Buzan's idea of the regional security complex and applies it to the Gulf in his book *The International Relations of the Gulf*.¹³ Here the idea is presented that as the US got more involved in the region through the 1980s and 1990s, the US became integral to the stability of the Gulf and had to act accordingly. While

¹¹ Wajeeh Elali, "Dealing with Iraq's Foreign Indebtedness," *TIE Thunderbird International Business Review* 42, no. 1 (2000): 65–83; Abbas Alnasrawi, "Iraq: Economic Sanctions and Consequences, 1990-2000," *Third World Quarterly* 22, no. 2 (2001): 205–18.

¹² Stephen C Pelletiere, *Iraq and the International Oil System: Why America Went to War in the Gulf* (Westport: Praeger, 2001).

¹³ F. Gregory Gause, *The International Relations of the Persian Gulf* (Cambridge: Cambridge University Press, 2010).

Bacevich is extremely cynical of the apparent reluctance with which the US got involved in the region, Steven Yetiv sees it as a byproduct of the Iran-Iraq War and Gulf War.¹⁴ He argues that apart from US involvement during both wars, it also greatly benefited from the outcome, as its influence within the Gulf region greatly expanded as a byproduct. This thesis, however, proposes the opposite from what Yetiv claims: the US got lured into the Gulf's problem, causing a decades long struggle of juggling the responsibility as described by Gause, while gaining little benefit. By becoming part of the Gulf's regional security complex, the US spent over a trillion dollars waging two wars in 1991 and from 2003 onwards, costing close to five thousand American lives and hundreds of thousands Iraqi lives.

What sets this research apart from existing literature is that it uses the economic measures by the US as the lens through which to look at engagement in the Gulf. During the Iran-Iraq War, Gulf War and up till the 2003 invasion, the economic policy was the first resort to exert influence over Iraq. This sometimes seems forgotten. For example, Bacevich claims that "influence [in the Gulf] rarely extended beyond matters related to military security."¹⁵ I would suggest the otherwise: the economic measures were the primary form of engagement in the Gulf for two decades. From 1983 to 1993 - the scope of this research - and the following ten years, up till the 2003 invasion, the US used economic policy to try and serve its interests.

The data gathered from primary sources will be used to establish what effect US policy had. By collecting data on Toil, like imports and exports, production and oil prices, and then interpolating that data in the way the Iraqi economy grew or shrunk provides us with an idea how effective American measures were. The primary sources that are available on US policy are supplemented with numerical data to give

¹⁴ Steven A. Yetiv, *America and the Persian Gulf: The Third Party Dimension in World Politics* (Westport: Praeger, 2006); Bacevich, *American Empire*.

¹⁵ Bacevich, *American Empire*, 106.

a more factual understanding how development carried out. As such, this thesis can be seen as descriptive in nature, aiming to shed light on the development of US policy between 1983-1993. Consequently, I hope to entice readers to develop the notion that US economic policy is the basis from which to approach US-Iraqi relations between 1983 and 2003. This constitutes the methodological basis for this research.

This research consists of four different chapters, covering four distinct periods from 1983 to 1993. These periods are the Iran-Iraq War (1983-1988), inter-bellum period (1988-1990), Gulf War (1990-1991), and the two post-bellum years until the end of the Bush presidency (1991-1993). As stated above, for each chapter I will look at what the economic policy entailed, why the US chose to adopt this policy in light of ongoing developments, and lastly, how successful this policy in light of the envisioned outcome.

The first chapter looks at the role of US financial policy during the Iran-Iraq War to help Iraq during the conflict, to ensure Iran's Shiite revolution would not spread to nearby countries and cause instability. The second chapter bridges the period between both wars from 1988 to 1990. In this time of peace, the US dealt with the remnants of their foreign policy during the war, while simultaneously changing its goals vis-à-vis the relationship with Iraq. The third chapter looks at the Gulf War and the swift action taken by an international coalition lead by the US to heavily sanction Iraq as a punitive measure for Iraq's invasion into Kuwait. The fourth and final chapter looks at the concluding years of the Bush presidency. Central to this chapter is the way the financial chokehold the US put Iraq in.

Chapter 1: The Iran-Iraq War: A Working Relationship

This chapter looks at how the US got involved with Iraq during the Iran-Iraq War. The diplomatic relationship between both countries had been suspended for over 15 years, but in light of the Iran-Iraq War, both countries could use each others help. The Iran-Iraq War threatened stability in the Gulf, which went directly against the interest of the US. The conflict spreading to other countries would mean upheaval in the Gulf and likely higher oil prices. In 1983 the US adopted a policy to provide financial aid to Iraq to relieve the financial burden on Iraq.

A set of three different sub-questions will be answered in this chapter in accordance with the structure laid out in the introduction. First: why did the US get involved in the Iran-Iraq War? Second: What did the US economic policy entail during the Iran-Iraq War? Third: Did the loans by the US serve the envisioned out? By answering these questions, I aim to show that US policy during this time was constructively built and deliberately expanded. This unlike the US economic policy we will look at in the following three chapters, where the US did not have the upper hand and was at the mercy of Iraq, instead of the other way around as during the Iran-Iraq War.

To properly place these events in historic context, the chapter will start with a short paragraph of the events leading up to the 1980 start of the war, most notably the revolutionary year 1979, during which Saddam seized power in Iraq and ayatollah Khomeini in Iran. This is followed by answering the question why the US got involved in the conflict by making an analysis of the motives behind America's support for Iraq. Then an analysis will be made of the agricultural credit program adopted by the US during the Iran-Iraq War, followed by a comparison to the aid Iraq

received from other countries during the war. Lastly, I will assess the effect US loans had on Iraq during the war by contrasting them with Iraq's GDP and loans by other countries.

Historically, it was not the US, but the United Kingdom that fulfilled the questionable role as 'stabilizing' force in the Middle East. They controlled large oilfields in Iran through the twentieth century until Mohammad Mossadegh, a democratically elected prime minister, nationalized Iran's oil production in the fifties. This initiated the slow decline of British (military) presence in the region, and in 1971 the British started withdrawing almost all troops from the Middle East.¹⁶ This left the US, as the West's superpower, the question if they would – or should – take the place of the United Kingdom in the region. President Nixon, in line with his famous doctrine of non-intervention, chose not to.¹⁷ Instead the US used a proxy-state in the region to fulfill that role on America's behalf. As Henry Kissinger stated, "the vacuum left by British withdrawal, now menaced by Soviet intrusion and racial momentum, would be filled by a local power friendly to us," because "it was imperative for our interests and those of the Western World that the regional balance of power be maintained so [...] our economic lifeline would not fall into hostile hands."¹⁸ The US found that ally in Iran.

The Soviet-Union, fearing America's growing in the region through its partnership with Iran, was provoked into finding its own ally: Iraq. With the US supplying Iran with arms, it was quickly becoming the local superpower, as it was the largest country by population in the Middle East too. In return, the Soviet-Union

¹⁶ Donald Neff, "The U.S., Iraq, Israel, and Iran: Backdrop to War," *Journal of Palestine Studies: A Quarterly on Palestinian Affairs and the Arab-Israeli Conflict* *Journal of Palestine Studies* 20, no. 4 (1991): 23–41, 26.

¹⁷ Stephen C Pelletiere, *Iraq and the International Oil System: Why America Went to War in the Gulf* (Westport: Praeger, 2006), 154-155.

¹⁸ Henry Kissinger, *White House Years* (New York: Simon & Schuster, 2014), 1264.

started supplying Iraq – Iran’s longtime nemesis – with arms. This led to an arms race between both proxy states. Through the seventies until 1978, Iran’s military spending increased by 580 percent, while that of Iraq rose by 260 percent.¹⁹

With tensions running high, the year 1979 was eventful for both Iran and Iraq. Saddam Hussein rose to power in Iraq, seizing complete control of the government and cementing himself as the dictator of Iraq. In Iran, the ruling Shah was ousted from power after Islamic revolution swept over the country, establishing ayatollah Khomeini as Iran’s new leader. Additionally, the Soviet-Union invaded Afghanistan, while technically not part of the Middle East, was still viewed as a threat to stability in the Middle East by the US. The Carter Doctrine of 1980 clearly stated America’s views on the issue, breaking with the Nixon Doctrine of non-intervention. It read: “Any attempt by any outside force to gain control of the Persian Gulf region will be regarded as an assault on the vital interest of the US.”²⁰ That vital interest is, of course, oil.

In 1980 the Iran-Iraq war began after Iraq invaded Iran. The war started after Khomeini called on Iraq’s Shia population, accounting for sixty percent of the Iraqi population, to join his Islamic revolution. Saddam aimed to prevent this insurgency by invading Iran, hoping to capitalize on Iran’s instability as a result of the revolution.²¹ Additionally, Saddam Hussein hoped to resolve Iraq’s long-standing problem with access to the sea by annexing Iran’s Kuhzestan province, nested on the Persian Gulf coast. Despite Saddam’s prediction of an easy victory over Iran, the war

¹⁹ Anthony H. Cordesman, *The Gulf and the Search for Strategic Stability* (London: Mansell, 1984), 160; Phebe Marr, *The Modern History of Iraq* (London: Routledge, 1985), 225.

²⁰ Jimmy Carter, *The State of the Union Address Delivered Before a Joint Session of the Congress*. Washington, 1980, <http://www.presidency.ucsb.edu/ws/?pid=33079> (accessed March 2018).

²¹ Laurie Mylroie, “Saddam Hussein’s Invasion of Kuwait: A Premeditated Act,” in *The Iraqi Aggression against Kuwait: Strategic Lessons and Implications for Europe*, ed. Wolfgang F. Danspeckgruber and Charles Tripp (Boulder: Westview Press, 1996), 39–50, 42; Efraim Karsh, “Geopolitical Determinism: The Origins of the Iran-Iraq War,” *Middle East Journal* 44, no. 2 (1990): 256–68, 265.

would last eight years and cost 600 thousand to a million human lives, while leaving the border virtually unchanged.²²

When Reagan took office in 1981 and the Iran-Iraq War had been underway for a few months, the US had remained completely absent from the war. The US had stuck to their policy of non-intervention in border disputes in the Middle East.²³ While the US would not support Iraq until 1983, the first step to rapprochement was taken in 1982, when the US removed Iraq from the list of countries supporting terrorism. This signaled America's willingness for a potential future cooperation and opened the possibilities of trade in the future. A year later, the US sought to restore diplomatic relations with Iraq, which had been suspended following the 1967 six-day war.

The tipping point for the US to get involved came after both Iran and Iraq resorted to airstrikes on ships in the Persian Gulf. This was of great concern to Reagan, who claimed the US had "a vital interest in maintaining freedom of navigation in the Gulf."²⁴ Now that the conflict transcended borders and directly jeopardized US interests, the US was rightfully alarmed about the stability in the Gulf region. Subsequently, concerns rose over the steady flow of oil exports from Iraq, Iran, and the region at large. This pushed the US to take action, and after three years start involving itself in the conflict.

The first step to understanding the role of the US in the Iran-Iraq War is to look why the US supported Iraq during the second half of the war. To do so, we,

²² Elaine Sciolino, *The Outlaw State: Saddam Hussein's Quest for Power and the Gulf Crisis* (New York: Wiley, 1991), 105.

²³ David Ryan, "From the 'Tilt' to the Unintended Transformation," in *America and Iraq: Policy-Making, Intervention and Regional Politics*, ed. David Ryan and Patrick Kiely (New York: Routledge, 2010), 55–75, 57.

²⁴ Ronald Reagan, "National Security Decision Directive-114. U.S. Policy toward the Iran-Iraq War," November 26, 1983.

ironically, must first recognize the role of Iran within the Middle Eastern sphere and the role it played in shaping the oil markets. As the by far most populous region in the Middle East and – at that time – wealthiest country in the region together with Saudi-Arabia, Iran was a force to be reckoned with. On top of that, it was the only non-Arab, non-Sunni country in the Middle East, which further complicated relations with other countries in the region.

The revolutionary year 1979 brought about a complete halt to all Iranian oil exports to the US and many other parts of the world. In the seventies, US oil imports had risen five-fold from 1.3 to 6.5 million barrels daily, of which 554 thousand were imported from Iran; this accounted for 9 percent of US total oil imports. Iran's oil production dropped from 5.5 to 6 million barrels daily in the last pre-revolutionary years to 3 million barrels in 1979 and, onset by the Iran-Iraq War, 1.6 million barrels daily in 1980. A worldwide oil crisis was the result of an expected shortage of available oil.²⁵

In 1973, the price of a barrel of oil had already risen from 3 to 12 dollars a barrel, after the Organization of Arab Petroleum Exporting Countries (OAPEC) proclaimed an embargo in response to the Yom Kippur War. The 1979 oil crises pushed the price from 15 dollars to just short of 40 dollars a barrel - a more than 250 percent increase - while the total supply dwindled just four percent because of Iran's declining production. From this we can conclude two things: First, a dependency on oil by the US and its western allies went hand in hand with a dependency on the oil-exporting Gulf nations. Second, the oil markets were extremely volatile.

The destabilization of the Gulf region was subsequently of great concern to the US. The Iran-Iraq War threatened to unhinge the fickle balance the Gulf nations

²⁵ "U.S. Imports from Iran of Crude Oil," 2018, https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=MCRIM_NUS-NIR_2&f=A (accessed March 2018).

had maintained during a quarter century of relative stability. In case the armed conflict would spread to other countries in the region, the production of oil would be hamstrung in those regions too, further deteriorating the devastating oil crisis. The most likely reason for the conflict spreading would be the advancement of Iran's Shia revolution, most notably to Kuwait. With Iran, Iraq, and Kuwait each sitting on around ten percent of the world's proven oil reserves (per calculations from the 1980s), this would bring about great uncertainty about the access to oil in the future.²⁶ Should Iran come in a position to control over twenty percent of the proven oil reserves, it would be able to influence policies of the Organization of Petroleum Exporting Countries (OPEC). Iraq losing the war to Iran was thus the worst outcome for the US and Western nations, because these countries were so dependent on Gulf oil.

In 1983 the Iran-Iraq War had been underway for three years. In the beginning Iraq seemed to have the upper hand in the conflict, but after the first two years the tides started turning. Three years into the war, an Iranian victory became more likely. If Iraq, a bulwark in the fight against insurgent Shi'ism, would fall, then Saudi-Arabia, Kuwait and Jordan were in danger too. This would potentially fulfill the dreaded outcome of the Iranian Islamic revolution spreading to other countries and, undoubtedly, drive oil prices to record highs. The US needed to prevent an Iranian in victory if possible.²⁷

However, it would be misconstrued to state the US wanted Iraq to defeat Iran. With Iran defeated, Iraq would be the country with the strongest military force by a large margin with no nearby country having the military power to hold it in check.

²⁶ James P. Pfiffner, "Presidential Policy-Making and the Gulf War," in *The Presidency and the Persian Gulf War*, ed. Marcia Lynn Whicker, James P. Pfiffner, and Raymond A. Moore (Westport: Praeger, 1993), 3–24, 12.

²⁷ Shah M. Tarzi, "Iran-Iraq Foreign Policies: Impact of US Gulf Intervention," *International Journal on World Peace* 9, no. 3 (1992): 35–48, 38.

This would make them the uncontested strongest nation in the Gulf, which was undesirable by the US too. The Reagan administration did not want Iraq to win the war. It was the administration's goal to merely prevent Iraq from losing the war, and risk destabilizing the Gulf and disturbing the world's oil markets.

To this end, the US finally took action in 1983. Between the revolutionary year 1979 and 1983, America's closest ally in the Gulf region – Iran - had become their enemy. Iraq, which during the previous decade got military aid from the Soviet-Union, became a country the US closely cooperated with during a six-year tenure until the start of the Gulf War in 1990.

The international context in which the Iran-Iraq War took place had thus greatly changed in a short period of time. This meant that the US also had to maneuver within this new context. When the US decided to take action, they did so cautiously. Looking at the National Security Decision Directives (NSDD) written by Reagan at that time, this becomes very clear. Besides striving to contain the Iran-Iraq War to both countries, the strategy was placed in a greater context to 'prevent the Soviet-Union from attaining a position of hegemony in the region by deterring Soviet expansion and by supporting the sovereignty of all countries in the region.'²⁸ Sticking to US policy of non-intervention in border disputes, the US never gave military support to Iraq during the Iran-Iraq War (but, as it later turned out, did to Iran in an affair that became known as the Iran Contra). All aid provided to Iraq by the US rests on a fine line of providing the necessary help for Iraq to win the war. The non-military support to Iraq did indirectly contribute to Iraq's war effort. The US was fully aware of the effect this strategy had and never claimed otherwise.

²⁸ Ronald Reagan, "National Security Decision Directive-99. U.S. Security Strategy for the Near East and South Asia," July 12, 1983.

There are several ways in which the US helped Iraq during the Iran-Iraq War. First, the US provided intelligence to Iraq, mostly based on satellite imagery. These images were used in ground warfare, which comprised a large part of the ongoing battle between Iraq and Iran.²⁹ While initially reluctantly received by Iraq, over the course of the war cooperation between both countries greatly increased. The satellite images became indispensable for Iraq, resulting in close cooperation between both countries. Especially when human-wave attacks of Iranian soldiers – which greatly outnumbered their Iraqi counterparts – threatened to gain control of the road between Basra and Baghdad, Iraq’s two most important cities. This would have certainly resulted in an Iraqi defeat.³⁰ While this aid can not be seen as a military support, because there was no exchange of money or weaponry, it did help Iraq’s military.

Second, the sale of dual-use technology to Iraq; this is technology that can either serve civilian or military purposes. While all exports to Iraq were banned for US companies, the US did give permits to helicopter manufacturers to supposedly export civilian helicopters to Iraq, which theoretically were under no circumstances to be used for military purposes.³¹ In total 117 helicopters worth over 200 million dollars were sent to Iraq in 1983, 1986 and 1988.³² However, after these helicopters were sent to Iraq, they would then be retrofitted with military weaponry purchased from other countries to form functional combat aircraft.³³

While the US was barred by law to sell military equipment to Iraq, a lot of US-origin weaponry did find its way to Iraq over the course of the war. However, this

²⁹ Efraim Karsh, *The Iran-Iraq War 1980-1988* (Oxford: Osprey Publishing Ltd, 2014), 44.

³⁰ Steven Hurst, *The United States and Iraq since 1979 Hegemony, Oil and War* (Edinburgh: Edinburgh University Press, 2009), 44.

³¹ Department of State, “Department of State Cable from George P. Shultz to the United States Consulate General, Jerusalem. ‘Follow-up Steps on Iraq-Iran,’” January 14, 1984, <https://nsarchive2.gwu.edu/NSAEBB/NSAEBB82/iraq38.pdf> (accessed April 2018).

³² US District Court, Southern District of Florida, “The Teicher Affidavit: Iraq-Gate. United States of America (Plaintiff) vs. Howard Teicher,” January 31, 1995.

³³ Adam Tarock, *The Superpowers’ Involvement in the Iran-Iraq War*, 84.

only became clear in the nineties during investigations into the armament of Iraq during the war. Through covert operations run by the CIA, the US took measures “to ensure that Iraq had sufficient military weapons, ammunition and vehicles to avoid losing the Iran-Iraq war.”³⁴ The US sent military equipment to other countries, which would then find its way to Iraq, without being traceable back to the US. Moreover, the US encouraged allies like France, which did not have laws prohibiting arm sales, to sell arms to Iraq, or even provide military support.³⁵

Third, and the focus of this research, the push of the US to credit money to Iraq that was advertently used to fund Iraq’s war against Iran. The lines of credit that were provided by the US government consists of two different parts. To start, the biggest line of credit were agricultural credits through the GSM-102 credit program, which is part of the FAS. This credit program did already exist and was not specifically set up for this purpose, but was indeed greatly expanded to facilitate American help to Iraq. This program helped lessen the amount of money that needed to be spent on agriculture by the Iraqi government. Consequently, this allowed Iraq to spend more money on other causes, namely the war with Iran. This was to the complete knowledge of the US and exactly how it was drawn up. On top of the GSM-102 program, the US owned Export-Import Bank played a role guaranteeing non-agricultural credits to Iraq to help the country and support Iraq’s economy and help the country to regain a better credit status.

The GSM-102 agricultural credit with Iraq began in 1983. All throughout the Iran-Iraq War, the program was the biggest pillar for US financial support to Iraq. In the first year of the program in 1983, 214 million dollars in agricultural credits were

³⁴ US District Court, Teicher Affidavit.

³⁵ Ronald Reagan, “National Security Decision Directive-139. Measures to Improve US Posture and Readiness to Respond to Developments in the Iran-Iraq War,” April 5, 1984; Hurst, *The United States and Iraq since 1979*, 45.

guaranteed by the Commodity Credit Cooperation (CCC) to Iraq. This amounted to eight percent of the total GSM-102 program, which also covered other Asian and African countries. With this money, rice and wheat was bought from American farmers by Iraq. Over the course of the war, exports to Iraq went from importing close to nothing to around half of all US wheat exports and one third of all rice exports.³⁶ Over the course of the war, Iraq thus became an important market for US agricultural goods.

During the Iran-Iraq War, the GSM-102 was expanded each year except for one and increased to well over 1100 million dollars in 1988, the final year of the war. While amounting to 513 million dollars in 1984, it was cut back to 340 million dollars in 1985, the only year during which it decreased. Comparing this to the GSM-102 program as a whole however, reveals that as a share, Iraq's credit program remained constant at around 15 percent. In the final year of the war this percentage rose to well over a billion dollars, or around a quarter of the whole GSM-102 program by the CCC.

| Fiscal year | Guarantees to Iraq through GSM-102 program | Percentage of total GSM-102 program |
|-------------|--|-------------------------------------|
| 1983 | 218 | 8 |
| 1984 | 513 | 15 |
| 1985 | 340 | 14 |
| 1986 | 392 | 15 |
| 1987 | 652 | 23 |

³⁶ U.S. Department of Agriculture, "Outlook for Agricultural Exports" (U.S. Department of Agriculture, 1988 1983), <http://usda.mannlib.cornell.edu/MannUsda/viewDocumentInfo.do?documentID=1853>, (accessed January 2018).

| | | |
|------|------|------------------|
| 1988 | 1113 | 25 |
| 1989 | 1088 | 21 ³⁷ |

A premature conclusion can be drawn that financial US cooperation with Iraq increased throughout the Iran-Iraq War. However, assessing that US financial support to Iraq increased fivefold over the course of the war says little about the outcome of this support. They do not become meaningful until they are placed in the context of the Iraqi economy. Whereas the absolute value or benefit of the intelligence provided to Iraq by the US is hard to gauge, that of money is not. To this end, the American loans to Iraq will be placed in the greater context of the Iraqi economy.

The seventies provide a good starting point to evaluate Iraq's economy during the eighties and the Iran-Iraq War. In 1972 the Iraq Petroleum Company (ICP) was nationalized, increased state revenue from oil from 15 to 50 percent of the gross domestic product (GDP). The ensuing 1973 oil crises quadrupled the price from three to twelve dollars a barrel. As a result of this, the Iraqi economy quickly grew, but also became increasingly dependent on the export of oil. Oil exports rose from 588 million Iraqi dinars, around 1.88 billion US dollars at the time, to 7760 million dinars, around 24.8 billion, a thirteenfold increase. Over the course of this period, oil exports as a percentage of total exports also rose from 94 to 99,4 percent. As a result, the agricultural and manufacturing industries, which were already small, had collapsed almost entirely.³⁸

Prosperity and a rapidly growing middle class earmarked the seventies in Iraq. Especially in the closing years of the decade a further growing oil price slingshot Iraq

³⁷ Allan I. Mendelowitz, "Iraq's Participation in the Commodity Credit Corporation's GSM-102/103 Export Credit Guarantee Program" (United States General Accounting Office, March 14, 1991), 14.

³⁸ Kamran Mofid, *Economic Consequences of the Gulf War*. (London: Routledge, 1990), 32-33, 36.

development. Between 1978 and 1979, Iraq's oil output had increased by 30 percent from 2.7 to 3.5 billion barrels, while oil revenues had doubled in one year due to an ever-increasing oil price. Despite the authoritarian system of Saddam Hussein, much money was invested in the development of the country. Adhering to five-year plans for the budgeting of its expenditures, Iraq was able to quickly and efficiently develop. The plans, made every half-decade, were surprisingly strictly adhered to, which posed problems when the Iran-Iraq War rolled around in 1980.

| GDP in USD | 1975 | 1980 | 1981 | 1982 | 1984 | 1986 | 1988 |
|------------------------------|-------|-------|-------|-------|-------|-------|---------------------|
| GDP | 13,94 | 52,72 | 37,4 | 41,6 | 47,36 | 47,68 | 55,68 |
| GDP in 1975 exchange rate | 13,94 | 24,14 | 19,72 | 18,24 | 16,96 | 18,24 | 20,16 ³⁹ |

Prices based on official IQD/USD exchange rates, 0,32 IQD/USD.⁴⁰

As we can see, between 1975 and 1980 Iraq's GDP rose 75 percent. Two thirds of revenue was generated by Iraq's oil industry during this time. The massive hit to Iraq's GDP in 1981 onset by the war was due to Iraq's oil production declining seventy percent. Having climbed from 2 to 3.5 million barrels a day on average between 1973 and 1979, during the first four years of the war oil production was one million barrels a day on average.⁴¹ While a huge influx of new money due to

³⁹ Abbas Alnasrawi, *The Economy of Iraq: Oil, Wars, Destruction of Development and Prospects, 1950-2010* (Westport: Greenwood Press, 2006), 101.

⁴⁰ Bureau of Government Financial Operations, "Treasury Reporting Rates of Exchange" (Department of Treasury, 1975-1987), <https://bit.ly/2DMSfFx> (accessed March 2018).

⁴¹ U.S Department of Energy, "Historical Monthly Energy Review 1973-1992" (Energy Information Administration, U.S. Department of Energy, August 1, 1993), <https://www.eia.gov/totalenergy/data/monthly/archive/00357392.pdf> (accessed November 2017), 307-314; Alnasrawi, *The Economy if Iraq*, 79.

increasing oil revenues marked the 1970s, the painstaking dependency on oil for the wellbeing of Iraq's economy became clear during the eighties.

Looking at the aid provided by the US to Iraq through the GSM-102 program and juxtaposing this data with Iraq's GDP, reveals US help to Iraq during the war was marginal at best. In total, 3,2 billion dollars were guaranteed by the CCC to Iraq over the course of the war. The first year of the program saw a contribution of 0,44 percent to Iraq's economy, while four years in this number had risen to 0,82 percent. Only during the last two years, when the war had evolved to a stalemate and gruesome trench warfare, did the GSM-102 program increase to 1,3 and 2 percent in 1987 and 1988 respectively. Especially in those first years when Iraq was on the verge of losing, it is unlikely that America's CCC guarantees played a big role in saving Iraq.

Another way in which the US sought to strengthen Iraq during the war was by providing non-agricultural guarantees to Iraq. It tried doing so through the state-owned Export-Import Bank (Exim). Initial requests to open credit lines with Iraq by the US government were denied by the Exim, due to the bank's fear of lack of repayment. After much political pressure and a call by George H. W. Bush, vice-president at the time, the Exim finally authorized a 484 million dollar loan in 1984.⁴² Unlike the GSM-102 program which only increased in size over the course of the war, the Exim loans faced more scrutiny. In total, 1.5 billion dollars in projects requested by US companies did not see daylight because of the Exim's denial.⁴³ The loans of

⁴² Department of State, "Department of State, Office of the Assistant Secretary for Near Eastern and South Asian Affairs Action Memorandum from Richard W. Murphy to Lawrence S. Eagleburger. 'Exim Financing for Iraq,'" December 22, 1983, <https://nsarchive2.gwu.edu/NSAEBB/NSAEBB82/iraq33.pdf> (accessed November 2017).

⁴³ "Export-Import Bank of the United States, Country Risk Analysis Division Memorandum to the Export-Import Bank of the United States, 'Country Review and Recommendation for Eximbank's Programs: Iraq,'" February 21, 1984, <https://nsarchive2.gwu.edu/NSAEBB/NSAEBB82/iraq40.pdf> (accessed April 2018).

the Exim were short-lived and were immediately halted after Iraq failed to pay back a 3.5 million dollar payment on that loan in 1986.⁴⁴

Like the money funneled to Iraq through the CCC, money credited by the Exim would be used by Iraq to alleviate Iraq's financial burden in other parts of its economy and 'bolster Iraq's ability and resolve to withstand Iranian attacks.'⁴⁵ Unlike the GSM-102 program however, the Exim loans also served the purpose of reviving Iraq's dreadful credit score. The Department of State argued that revitalizing Iraq's industrial economy would improve its credit score, which in turn would increase the likelihood of expanding Iraqi cooperation with other nations.⁴⁶

After the first four years of the war, acquiring new money to fund the war was a high priority for Iraq. Although Iraq's state coffers counted 36 billion dollars in 1980 after the prosperous seventies, in 1981 they had all been emptied to fund the war.⁴⁷ During the first two years of the war, Iraq's non-military budget outweighed the prospected revenue of exports.⁴⁸ As a result, almost immediately after starting the war, Iraq became dependent on outside financing. While Iraq got support in more ways than one from European countries, as well as Japan, it were the nations in the Middle East with a majority Sunni population that most feared the Shia uprising in Iran.

Saudi-Arabia, Kuwait, the United Arab Emirates (UAE) and Qatar all provided loans between 1981 and 1982. While exact figures remain unknown, it estimated that Saudi-Arabia loaned 35 billion dollars, Kuwait 10 billion and the UAE

⁴⁴ Bruce Jentleson, *With Friends Like These Reagan, Bush and Saddam, 1982-90*. (New York: Norton, 1997) 55.

⁴⁵ Tarock, *The Superpowers' Involvement in the Iran-Iraq War*, 53.

⁴⁶ Department of State, "Department of State Cable from George P. Shultz to the United States Consulate General, Jerusalem. 'Follow-up Steps on Iraq-Iran.'"

⁴⁷ Ashton and Gibson, *The Iran-Iraq War*, 94-95.

⁴⁸ Ahmed M. Jiyad, "An Economy in a Debt Trap," *Arab Studies Quarterly* 23, no. 4 (2001): 15-58, 15-17.

and Qatar both five billion dollars each, for a total of 50 billion dollars.⁴⁹ However, once Iraq's position weakened in comparison to Iran, the Gulf nation's loans stopped. This goes against the commonly accepted notion that the Gulf States loaned Iraq money on defensive grounds, as it would only make sense to loan Iraq more money to fund the war.⁵⁰

Looking at the imports during those years a seemingly paradoxical story is revealed. This also gives insight in Iraq's financial situation when the US started aiding Iraq financially in 1983. Imports before the Iran-Iraq War in 1979 were a little over four billion dollars annually, rising to well over five times to almost 22 billion dollars in 1982, yet most of these were non-military imports. While before the Iran-Iraq War military imports constituted around forty percent of all imports, in 1982 it was a little short of twenty percent.⁵¹ In the first two years, Iraq looked poised to emerge victorious. The money loaned by the Gulf States had thus sparingly been used to finance the war, but was instead used to continue the lavish development Iraq had gotten used to in the decade prior. Looking at these numbers we can see the onset economic crisis Iraq would endure four years into the war. When the time came to start repaying loans by foreign investors in 1983, it could not do so nor procure funds from new investors due to its bad credit rating. An increase in imports of 500 percent, hit to its GDP, and dependency on foreign money (which proved difficult acquire) made Iraq's situation dire in 1984.

As we have seen, the GSM-102 program accounted for significantly less than one percent of Iraq's GDP between 1984 and 1986, and the push by the Department of State to increase the export of industrial goods by the Exim proved fruitless as

⁴⁹ Ashton and Gibson, *The Iran-Iraq War*, 97.

⁵⁰ *Ibidem*, 98.

⁵¹ Alnasrawi, *The Economy of Iraq*, 81-82. Mofid, *The Economic Consequences of the Gulf War*, 36.

well.⁵² Not until 1987 did the US expand its relationship with Iraq, when broader trade agreements were put in place, which also allowed non-agricultural exports to Iraq as well. With Iraq's (relative) improved economic status, the Exim continued its loans to Iraq, amounting around 1.8 billion dollars in the last two years of the war.⁵³ As part of the expansion of other credits, the GSM-102 program increased by close to 50 percent in both 1987 and 1988 as well.

When US technology and industrial goods started finding their way to Iraq in 1987 after four years of being on the verge of losing the war, the tide started turning for Iraq. Iraq was able to fend off Iran in the last two years of the war and retake the land that had originally been lost to Iran following the push back by Iran after Iraq's initial invasion. In the summer of 1988 a cease-fire was reached and after eight years and a million lives lost the Iran-Iraq War was finally over. At the conclusion of the conflict, the borders remained virtually unchanged compared to before the war.

In total the US contributed a little over five billion dollars to Iraq during the conflict. Around 3,2 billion dollars through the GSM-102 program starting in 1983 and growing until 1988, and around 2.25 billion dollars through the Exim, 90 percent of which was granted in the last two years. Of the five billion dollars loaned to Iraq over the course of the war, 3,5 billion was loaned in 1987 and 1988. The five billion loaned by the US pales in comparison to the total financial aid Iraq received from other countries over the same period of time. While the neighboring Gulf States loaned a total of 50 billion dollars, the West loaned a total of 27 billion dollars, and the Soviet-Union, Eastern European countries and China a total of 10 billion for a total of an estimated 87 billion dollars.⁵⁴ The US contributed 6,5 percent of the total

⁵² Department of State, "Department of State, Under Secretary Armacost to Richard Murphy, 'US-Iraqi Relations: Picking up the Pieces,'" December 5, 1986.

⁵³ Ashton and Gibson, *The Iran-Iraq War*, 97.

⁵⁴ Ashton and Gibson, *The Iran-Iraq War*, 97.

amount of money loaned to Iraq between 1983 and 1988. Despite being a small percentage of the total money loaned, the US was the biggest non-Arab contributor to the cause.

The fifty billion acquired by the Gulf States had been acquired during the first two years of the war, when Iraq's prospects looked good. As discussed, this money was used to further Iraq's development started in the seventies instead of financing the war. Like the US, the other big non-Arab lenders like France, West-Germany, Japan, Italy, and the Soviet-Union all started their crediting programs in 1983 or 1984, directly supporting Iraq's war effort. While the US contributed 20 percent of total money loaned to Iraq after 1983, it accounted for around 40 percent during those last two years when Iraq regained ground lost to Iraq and end the war.⁵⁵ The successful push by Reagan to open more credits for Iraq in 1987 thus directly lined up with the time when the conflict turned in Iraq's favor.

It would be too simple to see America's increased spending as a direct cause for Iraq's improved situation during the last two years of the war. It was one factor alongside the other facets of improved cooperation between the US and Iraq in the closing years of the war, like closer cooperation between US intelligence services and the Iraqi army, which consistently proved invaluable for Iraqi military officials. In conjunction they amplified each other's effect: the intelligence offered by the US allowed Iraq to put the dollars they loaned to good strategic use.

All in all, the GSM-102 and Exim loans to Iraq amounted to five billion dollars, while the war cost Iraq a total of almost 200 billion dollars. The country went over 87 billion dollars in debt to pay for the war expenses costing 130 billion dollars,

⁵⁵ Hurst, *The United States and Iraq since 1979*, 59.

with reconstruction estimated at 63 billion dollars on top of that amount.⁵⁶ It is estimated the cost of the war to the Iraqi economy was a whopping 450 billion dollars, over 110 percent of its gross national product for the duration of the war.⁵⁷ While the money loaned to Iraq by the US covered just 3.8 percent of the total cost of the war for Iraq, the timing of the huge increase in the last two years made them much more impactful than the average dollar loaned to Iraq over course of the war by other countries. Even though US economic aid during the war was not decisive in Iraq's survival, the combination of financial support from outside nations most certainly did prevent Iraq losing to Iran.

This chapter looked at the economic measures of the US to support Iraq during the Iran-Iraq War and how impactful they were in light of Iraq's economy and other loans by foreign creditors. Over the course of almost six years, the US and Iraq increasingly worked more closely together, building a somewhat troublesome relationship, but one that did serve both country's interests. The first question we answered is why the US decided to get involved in the first place by looking at the geo-political tensions in the Gulf. As we have seen, the US viewed an Irani victory over Iraq as a huge threat to the stability in the region, and subsequently, the export of oil from the Gulf. This was reason enough for Reagan to get involved and provide Iraq with some of the loans necessary to win the war. By looking at the GSM-102 agricultural credit program and loans provided by the Exim we answer the question what this economic policy entailed. Apart from helping Iraq with its war efforts, it is important to note that over the course of the conflict, Iraq also became an important market for agricultural commodities; as such, the US had some kind of vested interest in Iraq as a partner too. Lastly, we looked at the question how meaningful US loans to

⁵⁶ Potter and Sick, *Iran, Iraq and the Legacies of War*, 129-130.

⁵⁷ Abbas Alnasrawi, "Iraq: Economic Consequences of the 1991 Gulf War and Future Outlook," *Third World Quarterly* 13, no. 2 (1992): 335-52, 336.

Iraq were over the course of the war. While the US in part succeeded in helping Iraq not lose, it is unlikely that the financial policy adopted by America was decisive in this regard. The loans must be placed in the broader context of financial aid to Iraq; only then do we see that US loans were insignificant compared in comparison to the total amount loaned, but also much more effective because of the timing these loans were provided.

While the Iran-Iraq War initially brought about reduced exports from Iran and Iraq and higher oil prices, over the course of the war, the price oil returned to pre-war prices. The status quo between Iraq and Iran had returned and the consistent export of oil that was so important to the US was safeguarded for the foreseeable future – or at least the following two years.

Chapter 2 The Inter-bellum: Intended Purpose, Actual Outcome

With the war over, Iraq's domestic sphere lay in shambles. The infrastructure, which had been expanded the decade prior, was badly damaged. The workforce had taken a hit because many of the young men that worked in the oil-industry had deceased during the war. The debt had surged to 87 billion dollars, one and a half time the country's GDP.⁵⁸ In short: Iraq was in a lot of financial trouble and needed any help it could get to relieve the burden this massive debt and interest put on its economy. The main goal of the US during the Iran-Iraq War had been to prevent Iraq from losing the war. As seen in the first chapter, the grants program of the CCC and loans by the Exim were one measure taken by the US government towards this goal. However, the relationship between the US and Iraq had been strictly pragmatic in light of both countries' interests during the war. As it became clear in 1987 that an end to the war was due, the US started to look at how this relationship would take shape after peace between Iran and Iraq returned.

In this chapter, I aim to show how the period between both wars provides the perfect context to understand US policy during the Gulf War and years following the war. In this period, the structural problems of building a relationship with Iraq under Saddam Hussein's rule become apparent, something that would haunt the US until 2003. The 1988-1990 period reveals not only much about the way Saddam Hussein acted, but also reveals a sense of naïve stubbornness by the US. In this chapter, three sub-questions will be answered to exemplify this. First: to what end did the US continue to collaborate after the Iran-Iraq War was over? Second: how did the US

⁵⁸ Zachary Karabell, *Prelude to War: US Policy Toward Iraq 1988-1990* (Cambridge: Case Program, John F. Kennedy School of Government, Harvard University, 1994), 5.

transform its economic policy during the inter-bellum? Third: to what extent was this policy successful in achieving its purpose?

This chapter firstly analyses why the US chose to continue collaborating with Iraq after the war was over, looking at both the geo-strategic element and reciprocal economic dependency the countries had gotten tangled up in. Then, it looks at how the US dealt with the remnants of the policy put in place during the Iran-Iraq War and how this policy took shape during the two years following the Iran-Iraq War. Lastly, an assessment will be made to what extent America's measures served the intended purpose in light of Iraq's economy after the war with Iran and the start of Gulf War in 1990.

For the US, the first move was reassessing *if* they wanted to continue working with Iraq after the war would end. With the end of the Iran-Iraq War, the 'friendship' between both countries because of their shared enemy in the conflict did not hold up anymore. The prospect of having another ally in the Middle East besides Saudi-Arabia was appealing for the US, after the US lost an ally in Iran in 1979. However, diplomatic relations between Iraq and the US had resumed after the US removed Iraq from the list of regimes supporting state-sponsored terrorism and had not improved much past that point. Saddam mistrusted the US, which was bolstered when late in 1986 the Iran-Contra affair was revealed.⁵⁹ The US recognized 'it was difficult to refute the Iraqi's underlying accusation,' and realized that – despite America's financial help to Iraq – if it wanted relations to improve, they would have to make the first move in overcoming their ideological differences.⁶⁰

⁵⁹ The Iran-Contra affair was the revelation of a secret US mission to sell arms to Iran during the Iran-Iraq War to fund para-military groups in Nicaragua.

⁶⁰ Department of State, "Department of State, Under Secretary Armacost to Richard Murphy, 'US-Iraqi Relations: Picking up the Pieces.'"

In turn, the US remained wary of Saddam Hussein's past radical tendencies and his vision of a pan-Arabic union with him at the head. However, over the course of the war it seemed that Saddam moderated his views. Saddam stopped funding Omani and Yemenite insurgency groups, recognized Yasser Arafat as the PLO's leader and improved relations with Kuwait. Moreover, Iraq had shifted from being supplied with arms by the Soviet-Union during the seventies to a precarious and sporadic relationship with the Soviet-Union during the eighties, which the US deemed in their favor too.⁶¹ These factors lead the US to believe that trying to create a working relationship with Iraq was worthwhile to pursue.

The war came to an end on August 20th of 1988 after eight years of fighting. Five days later, helicopters sprayed nerve gasses on Iraqi Kurds, systematically killing thousands civilians as punishment for the Kurdish insurgency during the Iran-Iraq War. This posed a problem for the US, as this directly violated the Geneva Conventions, which banned bio-chemical warfare, and thus immediately warranted action on their policy on Iraq going forward. Congress was quick to condemn the action and draft legislation to put sanctions in place and halt export and imports of money, oil, agricultural and industrial goods, and put an end to the GSM-102 program and Exim loans.⁶²

Even though the Senate unanimously accepted this legislation, it was blocked by the executive branch on grounds that they feared sanctions would diminish their 'ability to influence the Iraqi's' going forward.'⁶³ This is a hallmark moment for the Reagan administration, which gives insight in their approach toward Iraq in the years

⁶¹ Department of State, "Department of State, Under Secretary Armacost to Assistant Secretary of State for Intelligence and Research Morton Abramowitz, 'Iraq's Foreign Policy: Deeper into the Mainstream,'" March 3, 1988.

⁶² Jentleson, *With Friends Like These Reagan, Bush and Saddam*, 77.

⁶³ Zachary Karabell, "Backfire: US Policy toward Iraq, 1988-2 August 1990," *Middle East Journal* 49, no. 1 (1995): 28-47, 31.

after the Iran-Iraq War. There are two underlying reasons for this decision by the Reagan administration. On the one hand, there was the geo-strategic element. On the other, an economic argument.

With the war over, Iraq had become the superior military power and hegemon of the Middle East. This led Reagan towards a conservative approach of maintaining and expanding the fickle balance the two countries had maintained over the last years, instead of putting sanctions into place. Stability in the Gulf was still America's underlying policy in the region with the latent goal of keep Gulf oil exports safe. The two oil-crises of 1973 and 1979, and the Iran-Iraq War further disrupting global oil markets had cemented this policy further. The cohesion between the Gulf states could be made or broken by Iraq. This consequently put the oil markets at the mercy of Saddam's hand. However, despite Saddam's ideological moderation and newfound West-looking, modern outlook, the US still deemed it necessary to not let Saddam's new power go unchecked and deemed American leverage over Iraq important to sustainably manage Iraq's influence in the region.

The second argument was of an economic nature. The *how* that was discussed in the first chapter, partially becomes the *why* of the second chapter. As seen in chapter one, the GSM-102 program greatly expanded over the course of the Iran-Iraq War and was one of the tools America used to influence the outcome of the war. While this helped Iraq in alleviating its financial duties in the agricultural and food sectors during the war, towards the end of the war, agricultural exports from the US to Iraq had grown to the point where it was one of the major export markets for American crops. It was the twelfth largest market for US agricultural exports, accounting for

735 million dollars in 1988.⁶⁴ For rice and barley, Iraq was the premier export market for American farmers.⁶⁵ The prospect of putting sanctions in place and facing public backlash strengthened the case to keep collaborating with Iraq. Even though it is hard to argue against sanctions in light of the chemical attacks, the Reagan administration was sure to use any argument to defend its rejection of the bill.

Another economic factor was that Iraqi oil had grown to make up a quarter of all US oil imports over the course of the Iran-Iraq. Even though in 1980 zero barrels were imported from Iraq to the US, that number had slowly grown to almost 30 million barrels in 1987, or around 1,75% of all imports. In 1988, however, that number had grown fourfold to 126 million barrels, around 6,7% of all US oil imports.⁶⁶ By the end of the war, a quarter of all oil exports from Iraq were destined for the US.⁶⁷

If the US would impose sanctions on Iraq which would hinder oil exports, there was a risk of – once again – instigating an oil crisis. When the Iran-Iraq war started in 1980, the 1979 oil crisis was prolonged and further drove up oil prices because of the waning production and increasing uncertainty about the access to Gulf oil. Over the course of the war, the price had decreased to 14 dollars, two dollars above the pre-1979 crisis level. The prospect of - yet again – upsetting the oil markets was unappealing to the US, especially since, unlike the 1973 and 1979 crises, the US actually had some control over the outcome. Considering US American regional

⁶⁴ U.S. Department of Agriculture, “Outlook for Agricultural Exports” (U.S. Department of Agriculture, November 29, 1988), <http://usda.mannlib.cornell.edu/usda/ers/OAE//1980s/1988/OAE-11-29-1988.pdf> (accessed January 2018); Jentleson, *With Friends Like These Reagan, Bush and Saddam*, 82.

⁶⁵ U.S. Department of Agriculture, “Outlook for Agricultural Exports” (U.S. Department of Agriculture, August 25, 1988), <http://usda.mannlib.cornell.edu/usda/ers/OAE//1980s/1988/OAE-08-25-1988.pdf> (accessed January 2018).

⁶⁶ U.S. Energy Information Administration, “Monthly U.S. Imports of Crude Oil 1920-2018” (U.S. Federal Statistical System, n.d.), <https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=p&f=m&s=mcrimus1> (accessed January 2018).

⁶⁷ Jentleson, *With Friends Like These Reagan, Bush and Saddam*, 82.

politics in the Gulf was driven by the goal to maintain stability with the purpose of safeguarding the steady flow of oil to maintain a low oil price, it made little sense to upset the price deliberately. Despite the ethically objectionable decision to veto the sanctions, the Reagan administration considered this another sufficiently important aspect to maintain on good footing with Iraq.

The Reagan administration's vision was that the short-term punishment for Saddam for his attack on the Kurds would hinder America's long-term vision of recreating a regional balance with Iraq at the top, followed by Saudi-Arabia. If the US was allied with both, it could exert the influence it needed through both states, thereby safeguarding Gulf-oil for future years to come. The administration's policy could be best summed up that 'the US-Iraqi relationship is [...] important to our long-term political and economic objectives in the Gulf.'⁶⁸

In the beginning of 1989, George H. W. Bush became the new president of the US. Bush senior, as we would call him nowadays, had served as vice-president to the US during both of Reagan's terms from 1981 until 1989. It thus came as no surprise that Bush picked up where Reagan left off. However important the access to oil was (and still is), it is important to realize 1989 was a tumultuous year. Eastern Europe was on the brink of revolution, the Soviet-Union was in disarray and the Berlin Wall was about to fall. The Bush administration had not paid much attention to the development of Iraq, until a scandal broke on the GSM-102 credit program regarding Iraq in the summer of 1989.

In August. the US-branch of branch of the Banca Nazionale del Lavoro (BNL), Italy's largest bank, was raided by the FBI. It was then revealed that this bank had credited 3.2 billion dollars in illegal loans to Iraq, of which 750 million were partially

⁶⁸ Zachary Karabell, 'Backfire', 31.

backed by CCC program loans, which American taxpayers paid for.⁶⁹ This, once again, put the US on the spot: cutting this illegal flow of money would hurt ties with Iraq – despite Iraq not being eligible for them in the first place – while not taking action would be a political disaster in domestic realm. Weirdly enough, the CIA concluded that Iraq perceived the scandal breaking as a sign of US effort to curb Iraqi development in the post-war years.⁷⁰ This shows the mistrust Saddam had towards America.

In a renewed commitment to US-Iraqi relations, a National Security Directive (NSD) was written to lay out US-policy in the Gulf for the Bush years. The first line of the documents reads: ‘Access to Persian Gulf oil and the security of key friendly states in the area are vital to US national security.’ As Bacevich proposes, the industrialized world had developed to a point where oil had become a key asset to keep the Western economies running, implicitly making oil a symbol of the security and safety of the Western world too. On Iraq specifically the directive read: ‘Normal relations between the US and Iraq would serve our longer-term interests and promote stability in both the Gulf and the Middle East.’ The policy instigated by Reagan against Congress’ will after the chemical attacks had now become official US-policy.⁷¹ The path to a stable Gulf and steady flow of oil in the last decade of the twentieth century had been laid out, or so they thought.

The Iran-Iraq War had somewhat abruptly ended in 1988. During that last year, Iraq received 1.1 billion dollars in agricultural loans through the GSM-102 program, as well as close to a billion in non-agricultural Exim loans. Now that the war was over,

⁶⁹ U.S. Department of Agriculture, “Administrative Review of Iraq GSM-102 Program” (U.S. Department of Agriculture, 1990), 3-4.

⁷⁰ Central Intelligence Agency (CIA), “Directorate of Intelligence, Iraq-Italy: Repercussions of the BNL-Atlanta Scandal,” November 6, 1989.

⁷¹ George H. W. Bush, “National Security Directive-26. ‘U.S. Policy Toward the Persian Gulf,’” October 2, 1989, <https://fas.org/irp/offdocs/nsd/nsd26.pdf> (accessed March 2018).

those loans had to be re-evaluated in light of the purpose they had served, and now would serve. As discussed in chapter one, the loans had been used to help Iraq financially during the Iran-Iraq War and prevent them from losing. With the new interpretation of what the US-Iraqi relationship should constitute, the underlying thought behind the loans changed too.

As discussed, it was the primary goal of the US to remain friendly with Iraq, and part of that was continuing the loans to show America's commitment to US-Iraqi relations after the war. However, beneath the surface, they were also thought of to be a tool to incentivize Saddam to keep moderating his behavior. Cooperation with neighboring countries had already started during the eighties, but the US hoped an economic incentive could also be used to encourage Saddam to abandon his chemical weapon's program, interest to acquire nuclear weapons and stop funding terrorist groups.⁷² On top of that, the US also hoped to create a unilateral dependency of Iraq, which was in economical dire straits as a result of the war. By making Iraq partially dependent on the financial aid it received from the US, it was thought a level of influence over Iraq would also be gained.

When decisions had to be made on the CCC's credit program for 1989, the BNL scandal was just revealed. As a result there was fierce opposition to maintaining the GSM-102 program on the previous year's level. Despite dissenting voices from all corners of the government, the State department resisted and pushed to continue the loans for 1989. Eventually the opponents of the loans yielded to State on the condition Iraq remained compliant with the rules against Iraq's acquiescence of chemical and nuclear weaponry. Deputy Secretary of State Lawrence Eagleburger argued that maintaining the credits at one billion were 'important in our efforts to improve and

⁷² Bush, "NSD-26."

expand our relationship with Iraq [...] as ordered by the President in NSD-26.’ And so it came to be: despite Iraq’s attack on the Kurds and the revelation of the BNL scandal, the GSM-102 program was continued for 1989.⁷³

| Fiscal year | Guarantees to Iraq through GSM-102 program | Percentage of total GSM-102 |
|-------------|--|-----------------------------|
| 1986 | 392 | 15 |
| 1987 | 652 | 23 |
| 1988 | 1113 | 25 |
| 1989 | 1088 | 21 |
| 1990 | 481 | 11 ⁷⁴ |

The US Department of Agriculture (USDA), which had also gained a significant involvement in the CCC program, argued that it ‘cannot be seen by the Iraqi side outside the context of the overall US-Iraqi political relationship’.⁷⁵ With the continuation of these loans, the US showed its commitment to advance the relationship it had built during the Iran-Iraq War. Furthermore, American assurance in their cooperation was exemplified by defying the majority call of curbing the CCC loans considering the BNL scandal.

The Bush administration was also trying to restore the Exim bank’s credits that had been guaranteed for industrial goods during the final two years of the Iran-Iraq War. In conjunction with the CCC-credit debacle which narrowly passed, they were unsuccessful to do so. Both Congress, which had already opposed the GSM-102

⁷³ Hurst, *The United States and Iraq since 1979*, 76.

⁷⁴ Mendelowitz, “Iraq’s Participation in the Commodity Credit Corporation’s GSM-102/103 Export Credit Guarantee Program.”

⁷⁵ Karabell, ‘Backfire’, 36.

money for the year 1989, and the Exim bank, were strongly opposed against reinstating loans for Iraq. Legislation was quickly passed to prevent further loans to Iraq through the Exim, a measure which could not be hindered by the President. Bush had already caught a lot of wind for the decision to continue the CCC loans and further loans would be even more heavily scrutinized.

The financial aid to Iraq by the US thus did not increase, but did continue, between August 1988 and August 1990, from the end of one war until the start of another. On four different occasions an amount of around 500 million dollars was credited to Iraq over the course of two years. While the program was set to continue into 1990 and beyond, with Iraq's invasion into Kuwait, the program was, of course, immediately suspended.

Taking a look at the financial situation of Iraq during inter-bellum period provides the context in which to place the loans of the US and the fundamental motives behind them. While internal problems were plenty after the devastating war, external pressure was also rising, especially from its neighboring countries. Iraq was an estimated 87 billion dollars in debt at the end of the war. In total, 50 billion was owed to its neighboring Arab countries. Iraq however, saw these loans as donations to Iraq's war effort, on the basis that the money had been used to keep the whole Gulf safe, including the creditors, and that it thus was only logical the Gulf countries, including Iraq, would jointly pay for the war.⁷⁶ Unfortunately for Iraq, the crediting countries thought otherwise.

However, the way the Iraqi economy had developed during the seventies and eighties put it in a place where it was simply unrealistic the demands of the country's creditors could never be met. The homogenization towards an almost solitarily oil-

⁷⁶ Alnasrawi, *The Economy of Iraq*, 117.

based export market brought Iraq prosperity when oil prices were climbing during the seventies. However, it also meant the country was dependent on the price of oil.

Ironically, the US goal of maintaining stability in the Gulf to keep the oil prices low had an adverse effect for Iraq's economy. With stability returned to the region, oil prices also dropped; paired with the production quota set by the OPEC, Iraq was cash strapped and thus did not have the liquidity to solve its problems. The country simply did not have enough money to pay off its debts and interest on those debts, as well as keep the country running, and pay for reconstruction.⁷⁷

While Iraq was in dire need of any financial relief when peace returned in 1988, America's one billion dollar CCC-credit helped minimally in the grand scheme of Iraq's disastrous financial situation: Iraq's GDP was 55 and 65 billion dollars in 1988 and 1989 respectively.⁷⁸ After repayments had not been met by Iraq, no country other than the US was willing to loan more money to Iraq. Even though the continuation of the GSM-102 program was certainly welcome by Iraq, the loan can only be seen as a sign of American goodwill towards Iraq. It was not a measure to structurally solve Iraq's problems, as interest on Iraq's loans accumulated faster than they could pay them off. In hindsight, the subservient dual goal of using the loans as encouragement for moderation and a tool to gain traction in Iraq as outlined by the Bush administration seems borderline comical.

Over the course of the post-war period after the Iran-Iraq War, the relationship between the US and Iraq had deteriorated. In the early summer of 1990, the relationship had devolved to the point where the discussion about the (dis)continuation of the CCC became so politically charged that the actual content did not matter much anymore. The symbolism of the 'small' 500 million dollar loan set

⁷⁷ Steve A. Yetiv, "The Outcomes of Operations Desert Shield and Desert Storm: Some Antecedent Causes," *Political Science Quarterly* 107, no. 2 (1992): 195–212, 198.

⁷⁸ Alnasrawi, *The Economy of Iraq*, 96.

for the second half of 1990 was only scheduled because it was in accordance with NSD-26, not necessarily because it best served the goal of maintaining peace in the Gulf by moderating Saddam's behavior.⁷⁹ As time went on, it became increasingly clear that the loans served the policy outlined in NSD-26, but that this protocol was not the right approach to keep Iraq at bay.

This chapter aimed to show how the US completely miscalculated its stance on Iraq in the period between both wars. To start we looked at why the US continued its GSM-102 program with Iraq. Even though Iraq's participation in the program was set up during the Iran-Iraq War as a form of financial relief, Reagan and then Bush made very deliberate decisions to continue the program, even in the face of extremely strong opposition from Congress. They hoped constructive engagement would yield trust and moderation from Iraq. This in turn answers the why question asked in the introduction of this chapter; after the Iran-Iraq War, Iraq had by far the strongest military of the Middle East. This meant that stability in the Gulf could easily be disrupted by Iraq. By continuing the GSM-102 loans, it was hoped Iraq would not act against US interests.

The level of success of the continuation of these loans is the last question this chapter answered. While the policy outlined in NSD-26 was successfully executed, it yielded all but the result the US aimed to achieve with it. The loans were more symbolic than significant in settling Iraq's financial problems. Over the course of the 1988-1990 period, it became increasingly clear that the policy of constructive engagement did not work. Yet, the US tightly held onto this policy up till the very moment Iraq invaded Kuwait. In this regard I argue that US policy was a failure not because both presidents pursued this policy despite domestic backlash as Karabell

⁷⁹ Karabell, 'Backfire', 41-43.

claims, but because the policy was wrongly pursued to begin with; this became increasingly clear throughout those two years, which did not lead to any change in policy, as it should have. The result was that once again Iraq was caught up in a war with a neighboring country, and, once again, Saddam's overestimation of the outcome threatened to unhinge the entire Gulf region.

Chapter 3: The Gulf War: Policy Overturned, From Stimuli to Sanctions

The previous two chapters looked at the economic factor in the development of the relationship between the US and Iraq during the eighties. Those chapters examined how the US used its strong economic position to try and strengthen ties between both countries and help both the Iraqi and American cause. This chapter looks at how the US used its global economic power – or more specifically power over global economics – during the Gulf War to achieve its goal of stability in the Gulf. The Gulf War, which occurred from August 1990 to February 1991, jeopardized the relative quietness that had existed between both wars. As a result, the US had to respond accordingly.

Three questions will be looked at to shed light on American policy during the Gulf War. By answering these questions, I aim to show the level of uncertainty around the form of US economic policy during the Gulf War. While during the Iran-Iraq War and period up till the start of the Gulf War there was a clear vision of how the economic engagement with Iraq should look like, during the Gulf War such a vision did not exist. During this time of war, the US struggled to give shape to the economic measures it could and should take. The three questions I elaborate on to exemplify this are: Why was the Iraqi invasion of Kuwait deemed so dangerous? How did the US try to manipulate Iraq with sanctions to restore the status quo? And in which way did the intended outcome line up with the actual outcome of the sanctions?

The chapter will start with an overview of what Iraq's invasion of Kuwait meant for the leverage Iraq gained over the international oil markets. This reveals why this invasion could under no circumstance stand. Thereafter, I will look at the

sanctions put in place and what this aimed to achieve. Lastly, an analysis will be made of the effect the sanctions had on Iraq and what the outcome of the sanctions was.

The August 2nd invasion of Kuwait by Iraqi forces in 1990 was the culmination of the fundamentally incongruous situation Iraq was caught in between expectation and reality. Saddam was stuck in a debt trap, and felt abandoned by those whom he had served by waging war on revolutionary Iran. Tariq Aziz, Iraq's foreign minister at the time, directly contributed Iraq's invasion of Kuwait to the economic stranglehold Iraq was in.⁸⁰ Kuwait, a small, defenseless and oil-rich country that Iraq was 10 billion dollars indebted to, could - when annexed by Iraq - both relieve Iraq's debt and help it in repaying other outstanding debt. In retrospect, that move was fueled by desperation and a false sense of a potentially positive outcome.

As we have seen, Iraq's wealth was built almost solely on the exploitation of its large oil reserves. During the seventies Iraq's GDP rose more than 300 percent from 16 to 53 billion dollars, and corrected for the increase in population, it rose well over 200 percent. While exporting oil yielded extremely high revenues in times of peace, it also meant the country's economy was highly dependent on the continuous export of oil to foreign countries. As we have seen in the first chapter, during the Iran-Iraq War – especially the first few years – the export of oil strongly declined, bringing Iraq's economy down with it. Over the course of the rest of the eighties, the export of oil slowly picked, and consequently, so did Iraq's economy, but Iraq's debt remained insurmountable.

Three days after Saddam invaded Kuwait, Iraq controlled all Kuwaiti oil production facilities. Together with Iraq's own reserves, the country now controlled around twenty percent of the estimated global oil reserves, with both countries

⁸⁰ Stanley Allen Renshon, *The Political Psychology of the Gulf War: Leaders, Publics, and the Process of Conflict* (Pittsburgh: University of Pittsburgh Press, 1994).

contributing an equal share towards that number. With the discovery of even more oil reserves in the Gulf region, it was estimated 62 percent of all oil was harbored in the region.⁸¹ Combined with the ever-rising demand for oil, control over the export of Gulf oil became increasingly important. With Iraq in control of twenty percent of global oil reserves, the global oil markets could easily be disrupted at the hand of Saddam. Saudi-Arabia was the only country with more oil than Iraq after it invaded Kuwait, coming in at around a quarter of the estimated global oil supply. Differently than Iraq however, Saudi-Arabia had been a long-lasting ally of the US and steered clear from warmongering. The combination of Saddam's unpredictable behavior and control over twenty percent of the global oil supply was untenable. The US could not let Iraq annex Kuwait and put the oil market's fate in Saddam's hands.

With Kuwait so easily conquered, Saddam looked at acquiring even more territory and had set his sights on Saudi-Arabia. If he succeeded in also gaining control over Saudi-Arabia's oil, that would have made him the overseer of close to half the global oil supply. With a leader that had proven himself to be as untrustworthy as Saddam, international leaders, with the US at the helm, were rightfully alarmed about the Gulf's future. As Secretary of Defense Dick Cheney put it: "With his new wealth he [Saddam] will still have an impact and will be able to acquire new weapons [...], the problems will get worse, not better."⁸²

The Kuwaiti invasion had shown Iraq's military superiority and, compared to Saudi-Arabia's underdeveloped military power, the ease with which Saudi-Arabia would succumb to Iraq. In case of an Iraqi invasion into Saudi-Arabia, the country would have quickly been overrun. To this end, the US started to deploy troops to

⁸¹ Paul Aarts and Michael Renner, "Oil and the Gulf War," *Middle East Report*, no. 171 (1991): 25–47, 26; Pfiffner, "Presidential Policy-Making and the Gulf War", 12.

⁸² Christopher Maynard, *Out of the Shadow: George H.W. Bush and the End of the Cold War* (College Station: Texas A&M University Press, 2008) 77.

Saudi-Arabia five days after Saddam's invasion in Kuwait.⁸³ Over the next five months, over half a million troops were dispatched to Saudi-Arabia, the largest military force since the Vietnam War.⁸⁴ This move by the US curbed Saddam's ability to invade Saudi-Arabia, but did not solve the problem of the Iraqi invasion into Kuwait.

The US was not willing to go to war with Iraq if it did not have to. Instead, the US tried to resolve the matter diplomatically. Like it did during the eighties, the US leveraged its economic power to get what it wanted: stability in the Gulf region and steady export of oil to the rest of the world. This time around, however, that meant forcing Iraq into retreat from Kuwait. With the enormous debts accrued by Iraq over the course of the eighties, financial burden was crushing Iraq. This was the angle America could Iraq attack on. The US could exploit Iraq's weakness and aim to restore peace in the Gulf.

On August 2, Kuwait was invaded by Iraq and three days later the whole country was overrun by Iraqi forces, putting Saddam firmly in control of Kuwait. While during inter-bellum president Bush always gave Saddam the benefit of the doubt (unlike any other country), after Iraq's invasion, the US was the first to call for hefty sanctions to be imposed on Iraq. The US completely severed all financial ties with Iraq. Any and all planned loans through the CCC program and Exim bank were immediately put to a complete stop. The failed experiment of the two previous years had come to an end, without yielding anything.

⁸³ F. Gregory Gause, *The International Relations of the Persian Gulf* (Cambridge: Cambridge University Press, 2010), 105.

⁸⁴ Toby Craig Jones, "America, Oil, and War in the Middle East," *The Journal of American History* 99, no. 1 (2012): 208–218, 216.

Four days after Iraq's invasion into Kuwait, resolution 661 was passed by the United Nations (UN).⁸⁵ This resolution restricted all member-states of the UN to "import into their territories all commodities and products originating in Iraq or Kuwait exported therefrom after the date of the present resolution". Moreover, it decided that all states shall prevent "the sale or supply by their nationals [...] any commodities or products, including weapons or any other military equipment, whether or not originating in their territories, but not including supplies intended strictly for medical purposes, and, in humanitarian circumstances, foodstuffs, to any person or body in Iraq or Kuwait, or to any person or body for the purposes of any business carried on in or operated from Iraq or Kuwait". Lastly, the resolution "decides that all state shall not make available to the Government of Iraq, or to any commercial, industrial or public utility undertaking in Iraq or Kuwait, any funds or other economic resources." In short: a total trade embargo was put in place. The only exports allowed to Iraq were food and medical supplies for Iraqi civilians that needed humanitarian help.⁸⁶

The sanctions proved extremely efficient in debilitating Iraq's ability to pursue any warfare going forward, because the country simply had no money to fund any war efforts. With their revenue stream cut off, any prospect of resuming war was out of the question. The war had stabilized, with little chance of further escalation. This left the problem of Iraq's occupation of Kuwait, which still had to be resolved. The remainder of the year 1990 was filled with negotiations between Iraq and the United Nations, with the US at the helm. These proved fruitless, with Saddam showing no

⁸⁵ United Nations, Resolution 661, August 6 1990, <http://unscr.com/files/1990/00661.pdf> (accessed April 2018).

⁸⁶ Robert K. Brigham, *The United States and Iraq Since 1990: A Brief History with Documents* (Chichester: John Wiley & Sons, 2013), 15; United Nations, Resolution 665, <http://unscr.com/files/1990/00665.pdf> (accessed April 2018); United Nations, Resolution 670, September 25 1990 <http://unscr.com/files/1990/00670.pdf> (accessed April 2018); United Nations, Resolution 674, October 29 1990 <http://unscr.com/files/1990/00674.pdf> (accessed April 2018).

sign of cooperation or willingness to retreat. During the five months left in 1990, the US adopted policy of non-intervention and relying on the sanctions put in place was marked by stasis.

Considering the US had not started a counteroffensive against Iraq, Saddam got the illusion that the situation had stabilized and accepted the sanctions put in place against Iraq were part of the cost for victory. He reasoned that, with control of around 20 percent of the global oil supply, in the long run his prospects were good because of the leverage the control over the oil gave him.⁸⁷ However, the US was not intent on letting Saddam stay in control of Kuwait. In January 1991, the US quickly ended Iraq's five-month occupation of Kuwait after '1000 hours of bombing and 100 hours of ground warfare.' The war was over as quickly as it had started.⁸⁸

Looking at the sanctions imposed on Iraq during the Gulf War reveal America's stance and 180 degree flip on the Iraqi case, but say little about the short-term outcome the US hoped to achieve by imposing sanctions. Unlike the clear vision of the US during the NSD-26 years, the Resolution 611 sanctions were haphazardly put in place because Saddam's actions demanded an immediate response, not because they served a strategic purpose.

There are different arguments as to why the resolution was put in place. There is the straightforward aspect of sending a signal by the international community, condemning Saddam's behavior. Then there is the aspect of putting immediate sanctions in place and buying time, while quickly hindering Iraq's workings. Moreover there is the fact that sanctions would put such a strain on Iraq to the point of devastating both economy and country, showing a willingness to take measures if

⁸⁷ Pelletière, *International Oil System*, 218.

⁸⁸ Lawrence J. Korb, "The Direct and Indirect Costs of the Persian Gulf War," in *The Presidency and the Persian Gulf War*, ed. Marcia Lynn Whicker, James P. Pfiffner, and Raymond A. Moore (Westport: Praeger, 1993), 201–12, 204.

necessary. Some policymakers argued this in turn would force the country into retreating from Kuwait. Then there is the alternate vision that sanctions would not make Saddam retreat (which eventually proved right), but that it would cripple Iraq and its powerful army to the point that *if* military action was necessary in the future, an international coalition would be able to much more easily defeat Iraq.⁸⁹

Even in hindsight it is difficult to point to give an answer to which purpose resolution 661 served, as there was never a clear motive behind the initial sanctions other than condemning Iraq's actions. Though it is likely a combination of the above. The best way to look at is that while the US surely hoped Iraq would retreat, it was never believed he would. The lack of a clear objective when putting sanctions in place will consequently yield an unclear outcome when put in place. While sanctions are generally used as a punitive measure instead of taking military action, the weakening of Iraq's army aided in defeating the country during operation Desert Storm.⁹⁰

As a result of the trade embargo, oil exports from Iraq dropped 97 percent, and imports into Iraq were reduced to ten percent of the previous years. Consequently, Iraq's economy collapsed. Iraq's GDP dropped from 26 billion dollars in 1989 to 16 billion dollars in 1990. Iraq's GDP had already come down from 30 billion dollars in 1988 due to the pressure of outstanding loans and thus almost halved in the timespan of two years.⁹¹ Considering Iraq's GDP on the eve of the Iran-Iraq War more than a decade prior was 54 billion dollars (adjusted for inflation), it is no overstatement the country was in dire straits.

⁸⁹ Patrick Clawson, *How Has Saddam Survived? Economic Sanctions, 1990-1993*, McNair Paper (Washington: Institute for National Strategic Studies, 1993), 3-4.

⁹⁰ Kenneth I. Juster, "The United States and Iraq: Perils of Engagement," in *Honey and Vinegar: Incentives, Sanctions, and Foreign Policy*, ed. Richard N. Haass and Meghan L. O'Sullivan (Washington: Brookings Institution Press, 2001), 51-69.

⁹¹ Alnasrawi, *The Economy of Iraq*, 152.

Due to Iraq's inability to export any oil abroad, oil production in the country also dropped from a little over 3 million barrels daily in 1989 and pre-war 1990, to around 400 thousand barrels a day in the latter part of 1990, a decline of 86 percent. During that same time, oil production in Kuwait dropped from 2 million barrels daily before the war to just 100 thousand barrels a day after Kuwait was unlawfully annexed by Iraq.⁹² Over the course of the eighties, Iraq had become an increasingly important exporter of oil to the US and its allies. In the late-eighties, 600 thousand barrels a day were exported to the US, while 2.3 million barrels a day were exported to allies of the US, like France, Western-Germany and Japan. Together, this encompassed virtually all of Iraq's exports. With around 8 to 9 percent of all global oil production before the war happening in Kuwait and Iraq, this deficit created a short-term shortage. The price of oil, of course, shot up: from 17 dollars in July to shortly reaching 46 dollars in October.⁹³ The decrease in production of Iraq and Kuwait was offset by increased Saudi production starting in November of that year and coincided with the removal of production quotas for OPEC members. This proved sufficiently efficient in dropping the price below 20 dollars in the spring of 1991.⁹⁴

When we look at how the price of oil behaved in the face of imminent problems in the oil markets and comparing what happened with oil crises in 1973 and 1979 an interesting pattern is revealed. While the output of oil decreased a little over five percent for a short time in the fall of 1990 as a result of the restrictions placed on Iraq's oil exports, prices went up 250 percent. The relationship between a decrease in output and rise in price is thus completely disproportionate.

⁹² Historical Monthly Energy Review 1973-1992, 308-310.

⁹³ John B. Taylor, "Discretion versus Policy Rules in Practice," *Carnegie-Rochester Conference Series on Public Policy* 39 (December 1, 1993): 195-214, 211.

⁹⁴ Alnasrawi, "Economic Consequences", 343.

The discrepancy between the decrease in output and rising prices seems to be a result of panic and an irrational reaction to a change in the global oil markets. From this we can conclude that amount of the production and export of oil itself is a lesser problem than the uncertainty of access to oil. Iraq's invasion of Kuwait, which gave Saddam control of Kuwaiti oil, posed a much bigger problem than the decrease in output itself in the wake of the trade embargo, because of the power it gave him over the oil market. The resiliency of the global oil production sphere became clear as a result of the War, but so did the problems about prices when a wildcard like Saddam gained leverage. A hiccup in the steady flow of oil from the Gulf had more far-reaching consequences than the cause would suggest. This illustrates the importance of maintaining stability in the Gulf.

The short-term problems stemming from the Gulf War crisis had been solved: Iraq retreated from Kuwait and the original borders had been restored. The long-term problem of securing steady flow of oil from the region, however, was not. Iraq had revealed it to be a rogue state that had the potential to unhinge the Gulf region. Even though it had become clear that other oil-producing countries could compensate for the lack of Iraqi oil exports, Iraq's oil remained an important asset – whether the US liked it or not.

Even though Iraq retreated from Kuwait, it was not the sanctions imposed on Iraq that forced it into retreat. As we have seen, harsh sanctions were put on Iraq, forcing any and all trade with Iraq to a halt. For the US, this was a 180-degree flip within a matter of days: from constructive engagement to complete incapacitation of the Iraqi economy. While this move seems logical, it reveals surprisingly little about why they were put into place. This chapter elaborated on the lack of a clear vision about what these sanctions aimed to achieve. They can be seen as a condemnation of

Iraq's behavior, punishment for Iraq's invasion, a tool to coerce Iraq into retreat, or a debilitating measure to weaken. Though it is probably a combination of the above. I would argue that while the US hoped it would force Iraq into retreat, it was never completely expected. The lack of a clear goal consequently makes it hard to answer the question how successful these sanctions were. The sanctions certainly did paralyze the Iraqi economy and weaken its army, but ultimately it was operation Desert Storm that forced Iraq into its sovereign borders.

Chapter 4: After the War: Short-term solution, long term problems

The two consecutive conflicts involving Iraq in the previous decade uncovered the necessity to revisit policy for the remainder of the nineties. The Gulf War raised many questions about the role of Gulf oil going forward. The West was stuck between despising Iraq and being undeniably dependent on its oil. This chapter goes into more depth about America's stance on Iraq in the years after the Gulf War until the end of Bush's presidency in 1993.

Again, I will look at three sub-questions: firstly, why did the US continue to push for sanctions on Iraq? Secondly, how did these sanctions differ from the ones instituted during the Gulf War and what was their goal? And thirdly and lastly, did the sanctions achieve what the US had envisioned? In addressing these questions it I hope to show that US failure to find a long-term solution for Iraq during the Gulf War made it, rather ironically, necessary to act against its own interests after the War by keeping the sanctions in place.

This chapter follows a similar pattern as the previous ones. To start an analysis will be made of the factors constituting US policy. The interplay of the geo-strategic element and the future access to Gulf oil is central to this. Thereafter, we will look at how these factors materialized in America's strategy, and how the policy of putting Iraq under embargo was continued. Lastly, an assessment will be made of the underlying goals of this policy and how successful the US was in achieving these goals. Here we have the luxury of retroactively applying the knowledge we have of the 2003 invasion and problems leading up to this historic event, which allows us to better differentiate between the short and long term success.

Now that the US had achieved an impressive military victory during the Gulf War, the next step was turning this into a political victory as well. Even though the immediate threat of other Iraqi skirmishes into other countries was thwarted, the Gulf region was still volatile. The collapse of the Soviet-Union and (relatively) painless victory in Iraq showed that the US was the sole remaining superpower in the world. In light of these developments, US foreign policy needed reshaping to fit, as famously described by Bush senior, this New World Order. That is to say, reshaping how the US aimed to achieve furthering global openness.

Dick Cheney, Secretary of Defense under Bush, wrote the *Defense Strategy of the 1990s* to that end. In the plan, Cheney writes that the US moved from containment (of the communist threat) to a regional defense strategy. With the overarching threat of the Soviet-Union gone, the US now focused on security on a regional scale. One goal was ‘to preclude any hostile power from dominating a region critical to US interests’. Another goal was reducing regional instability, thereby limiting the chance of new conflict arising.⁹⁵ For the Middle East, Iraq was a threat to regional stability, which was the primary goal of the US in and of itself as we have seen in the previous chapters.

What the US feared, destabilization in the region jeopardizing the steady export of oil, had become reality once again when the Gulf War started. While other oil-producing countries could cover Iraq’s share of the world oil exports when sanctions were put in place during the War, this situation would become increasingly difficult to maintain, and eventually unsustainable. Iraq and occupied Kuwait were underproducing, while other countries were overproducing to compensate for the lack of Iraqi production. The Gulf had two-thirds of all proven oil reserves in 1990 at an

⁹⁵ Dick Cheney, “Defense Strategy of the 1990s: The Regional Defense Strategy,” January 1993, 3.

estimated 650 billion barrels. Yet the Gulf countries barely made up a quarter of all oil experts in the world, approximately 5.5 billion barrels a year.⁹⁶ Iraq, which sat on ten percent of global reserves, produced a meager four percent towards the global supply.

From this we can conclude three things: first, most other countries were producing at unsustainable rates. In the future the non-Gulf countries would run out of oil long before the countries in the Gulf would. Second, this would subsequently result in an oil market controlled by the oil producing Gulf States. In the long run they would be the only states left with oil. Third, this meant they could control the price of oil. Either by overproducing to bring down the price, but – and this was the much larger problem – the oil producing countries could choose to scale back production to bring on oil crises in the West. Such a prospect was understandably undesired by non-producing Western countries, as they would become progressively more dependent on the Gulf States as time would pass.

In the context of the topic of this research, this meant that the unpredictable behavior of Iraq had to be tightly controlled. Iraq had gone from an ally to sworn enemy, while during the preceding decade, the US and Saudi-Arabia, Kuwait, and the UAE had become increasingly closer military, economic, and strategic allies.

Resolution 661, which was passed in the days after the start of the Gulf War, was the main UN resolution to impose sanctions on Iraq. Even after Iraq was defeated following Operation Desert Storm in 1991 the sanctions set in place by the resolution were kept in place. As we have seen in the previous chapter, the resolution imposed a complete trade-embargo on Iraq for both imports and exports. Medicine for humanitarian relief was the sole product that could be imported into Iraq.

⁹⁶ Historical Monthly Energy Review 1973-1992, 307-314.

After the war an addendum to resolution 661 was drafted. Resolution 687 provided the roadmap for Iraq's development for the years to come. The resolution was overwhelmingly voted into adoption. New official borders between Kuwait and Iraq would be drawn and Iraq had to destroy all its chemical and biological weapons, as well as stop any effort to acquire nuclear weaponry. On the financial side, it was declared Iraq had to repay all debts accrued the decade prior. All the sanctions put in place by resolution 661 were to be continued, with an exception on the embargo of some foodstuffs. This barred countries from selling anything other than food or medicine to Iraq.⁹⁷ Every 120 days this policy would be reviewed by the UN for potential changes to the policy set forth in resolution 687. From a technical point of view, the sanctions were straightforward and left little to the imagination about the liberties Iraq was trusted to wield.

After the Gulf War, the US could continue to leverage Iraq's abysmal economic position successfully like it had done during the Gulf War. The US could exert a lot of control over Iraq's economic and financial position. With American military presence in the region the US could put a lot of economic pressure on Iraq without fear of retaliation or a repetition of insurgency. An important distinction must thus be made in what the sanctions of resolution 661 aimed to achieve during and after the Gulf War.

To start, the sanctions were used as a tool to stop the possibility of Iraq rearming, and yet again, resume its warpath against neighboring countries. The Iran-Iraq War marked the eighties and the Gulf War the start of following decade, with ensuing upsets in the global oil markets. As stated, regional stability of the Gulf was the primary goal of the US, as this secured the steady flow and a stable price of crude.

⁹⁷ United Nations, Resolution 687, April 3 1991 <http://unscr.com/files/1991/00687.pdf> (accessed April 2018)

With the sanctions in place, Iraq was unable to buy weaponry from outside Iraq, most notably France, Italy, and Russia, which had been the country's primary suppliers of arms and warfare machinery.

Moreover, the sanctions of resolution 661 were a tool to make Iraq comply with the mandate to destroy its nuclear, biological, and chemical weaponry, which was set forth in resolution 687. Apart from rearmament, disarmament of its already existing missile heads was a grave concern. That Iraq was in possession of biological and chemical weaponry was demonstrated during the Iran-Iraq and Gulf Wars, while there were strong signals the country was also developing a nuclear weapon. The economic sanctions were used as a tool to make Iraq obey the UN mandate and allow its inspectors to oversee the discontinuation of these weapons.⁹⁸

Lastly, the sanctions were kept in place with the aim to weaken and topple Saddam Hussein's regime. After the decisive victory of Desert Storm, Saddam stayed in power, much to the dismay of the US. Quickly realizing their mistake, the US started seeing the sanctions as a goal to put Saddam's regime under a critical amount of pressure to the point it would succumb. It was argued by American policymakers that if Saddam's regime could be sufficiently bled dry, eventually the regime would collapse due to an uprising of the people.⁹⁹

In the case of Iraq, sanctions were incredibly effective and backbreaking. Iraq's economy was largely reliant on trade with foreign countries, so taking away that pillar of the economy had serious consequences for the functioning of Iraq's economy. On one hand the country was reliant on the export of oil to fund its development. On the other, fifty percent of its GDP's worth was spent on imports before restrictions were in place, as the country produced very few good

⁹⁸ Clawson, *How Has Saddam Survived? Economic Sanctions, 1990-1993*, 7.

⁹⁹ Ryan, "From the 'Tilt' to the Unintended Transformation," 71-72.

domestically.¹⁰⁰ With the export of oil almost non-existent, total exports were at three percent of pre-sanction levels, while imports were cut down 90 percent.¹⁰¹ Putting sanctions on either would have made little difference, as Iraq had no funds to buy imported goods without oil revenue, nor could it spend the money of its exports if imports were under embargo.

As a result of the ongoing sanctions set in place by resolution 661, the Iraqi economy imploded even further. As we have seen in the last chapter, Iraq's GDP dropped from 26 billion dollar in 1989 to 16 billion dollars the following year. When the embargo was instituted in August 1990, virtually all trade screeched to a complete halt. The year 1991 was the first full year under a complete embargo, and yielded a GDP of only 12,3 billion dollars; compared to 1989, the last year before the sanctions, the GDP more than halved. The following two years the GDP consecutively dropped ten percent, to a little over 11 billion dollars in 1992 and 10 billion dollars in 1993, the final year of the Bush presidency. In a matter of four years the economy dropped over sixty percent.¹⁰² It can thus be concluded that the ongoing embargo on Iraq proved potent in crippling Iraq's economy.

The fact that the sanctions made short work of Iraq's already poor economy says little about how the outcome of the sanctions lined up with America's strategy and intended outcome. While the sanctions put in place during the Gulf War after resolution 661 passed were still in place, the context had changed drastically. Iraq had again been contained to its sovereign borders and the immediate threat of another Iraqi skirmish was small now that the US had garnered a respectable military presence

¹⁰⁰ Clawson, *How Has Saddam Survived? Economic Sanctions, 1990-1993*, 12.

¹⁰¹ Alnasrawi, "Iraq," 344.

¹⁰² Alnasrawi, *The Economy of Iraq*, 154.

in the Gulf region with troops in Saudi-Arabia and Kuwait.¹⁰³

The distinction made between the function and goal of the embargo during and after the Gulf War is clear. Even though they are the exact same sanctions, they served a different purpose in light of America's strategy. During the Gulf War, the sanctions served as a non-violent measure to force Iraq to retreat from Kuwait. It was hoped sanctions could be a cheap alternative to war.¹⁰⁴ However, as we have seen, this measure was little successful. While Iraq noticed the effects on its economy, they did not pressured Iraq into retreating. Consequently, a military intervention had to be staged to achieve the goal. The implied military backup these sanctions held were an extension of each other, as it was decided Iraq could under no circumstance maintain in control of Kuwait and twenty percent of global oil supplies.¹⁰⁵ Because the sanctions had been unsuccessful, military intervention had to be the next step.

Unlike during the Gulf War when the sanctions aimed to coerce Iraq into doing *something* - namely retreating from Kuwait - the same sanctions after the war were used to prevent Saddam from doing *anything*, paralyzing Iraq and preventing further upheaval in the Gulf. In this regard, the intention of the sanctions differed crucially.

It warrants emphasizing that the US stood at the helm of combating Iraq through sanctions after the Gulf War. Resolution 687 was passed under pressure by the US, tightening the proverbial thumbscrews on Iraq even tighter, while most other countries were advocating for a lenient approach that would allow Iraq to rebuild and

¹⁰³ Steven A. Yetiv, *America and the Persian Gulf: The Third Party Dimension in World Politics* (Westport: Praeger, 2006).

¹⁰⁴ Chris Doyle, "Sanctions on the Middle East," in *Proceedings of the Conference Hosted by the Campaign Against Sanctions on Iraq, 13-14 November 1999, Cambridge*, ed. Consequences Sanctions on Iraq (background strategies) and Campaign Against Sanctions on Iraq (Cambridge: Campaign Against Sanctions on Iraq, 2000), 167-82, 169.

¹⁰⁵ A. Cooper Drury, "U.S. Presidents and the Use of Economic Sanctions," *Presidential Studies Quarterly* 30, no. 4 (2000): 623-42, 624.

repay its debts. The sanctions after the Gulf War times must be seen as a result of America's explicit demand not to give any leeway to Iraq whatsoever. In this sense, it can be seen as deliberate extension of their influence, even though the option existed to take a small step back from Iraq's affairs.

Though not within the scope of this research, over the course of the nineties, the situation in Iraq deteriorated considerably. As the domestic situation in Iraq worsened, the number of proponents that called for leniency rose. While Saddam's regime was brutal for the people living under it, the sanctions started taking a similar toll on Iraq's people. During the nineties there were many voices proclaiming the sanctions inhumane and the cause of a humanitarian crisis.¹⁰⁶ As a permanent member of the UN Security Council any effort to soften sanctions on Iraq was vetoed by the US. The first sigh of relief came in 1996, when the Oil for Food program was instigated by the UN, which allowed Iraq to export limited amounts of oil to pay for food and medicine.¹⁰⁷ It was not until the eve of the turn of the century that Iraq was allowed to start exporting oil to full capacity again (though restrictions on imports stayed in place).

With Iraq contained, the regional stability in the Gulf benefited, as did the oil markets. Even though Iraq produced solely for domestic consumption, the remainder of Bush's presidency (and the rest of the nineties) saw stable oil prices below twenty dollars. This ties into what we concluded earlier: the most important factor for the price of oil is stability and certainty about access to oil. Even though Iraq did not

¹⁰⁶ Richard Garfield, "Changes in Health and Well-Being in Iraq during the 1990s," in *Proceedings of the Conference Hosted by the Campaign Against Sanctions on Iraq, 13-14 November 1999*, Cambridge, ed. Consequences Sanctions on Iraq (background strategies) and Campaign Against Sanctions on Iraq (Cambridge: Campaign Against Sanctions on Iraq, 2000), 32–51, 36; Abd al-Ḥaqq al-Ani and Tarik al-Ani, *Genocide in Iraq: The Case Against the UN Security Council and Member States* (Atlanta: Clarity Press, 2013).

¹⁰⁷ United Nations, Resolution 986, April 14 1995, <http://unscr.com/files/1995/00986.pdf> (accessed April 2018).

export any oil, this mattered little for the price of oil, as the region was stable.

It can be concluded that the sanctions imposed on Iraq were successful considering the context. Stability in the Gulf and the continuous flow of oil with a steady price was achieved for the early 1990s. On the surface this seems all that the US hoped to achieve by the sanctions, but say little about the larger problem at hand, because Saddam stayed in power. This meant that an unpredictable renegade was still at the helm of a country that controlled ten percent of all oil reserves, which at that time were hardly exploited. In that regard the sanctions were a temporary solution for a much larger problem, caused by a misjudgment of US policy by leaving Saddam in control of Iraq when it could have overthrown him during the Gulf War. This is the immediate answer to the question why the US pushed for such harsh sanctions. After giving the benefit of the doubt to Iraq during the two years between both wars, the US was taken advantage of, with disastrous consequences as a result. This is an explanation for why the US in particular advocated imposing and keeping these harsh sanctions: during the 1988-1990 period the US was alone in supporting Iraq financially and were thus hurt the most by Saddam's betrayal. To prevent even the smallest chance of something like that happening again, the US lobbied for more sanctions, thereby answering the question how the US aimed to achieve total control over Iraq.

Conclusion

Within a relatively short time, the US went from largely uninvolved in the Gulf region, to completely caught up in the inner workings of the power-structures between the nations. During the eighties and first year of the nineties, Iraq stood at the center of two armed conflicts. Both conflicts brought about unrest in the Gulf, and as such stood in direct conflict with the interest the US had in the region. For the sake of stability, the US mingled in both the Iran-Iraq War and Gulf War, directly involving itself in Iraq's affairs. This research aims to shed light in which ways the US tried to influence Iraq using economic foreign policy.

The premise of this research is that the US was committed to global openness: advancing globalization and the expansion of the capitalist system around the world. With oil as an integral part of the modern capitalist system, the dependence on Gulf oil became increasingly important. As instability in the region directly jeopardized the export of Gulf oil and a low oil price, the US acted on behalf of its interests. This meant taking measures to try and maintain stability in the Gulf.

The four different periods researched in this thesis each went over different why the US acted and what its goals were, how it aimed to achieve this goal and to what extent this goal lined up with the actual outcome. During the Iran-Iraq War, the US helped Iraq to maintain the balance of power between Iran and Iraq to prevent either from becoming a dominant force. The inter-bellum was marked by a period of constructive engagement between the US and Iraq to help and moderate Saddam Hussein's behavior to prevent another conflict. The Gulf War saw sanctions imposed on Iraq to coerce Saddam to retreat from Kuwait, while in the years after the war those same sanctions were used to prevent Iraq from rebuilding and potentially

unhinge the Gulf region yet again. Taking a step back and looking at what these measures aimed to achieve, each can be distilled to the same motive: for Iraq to contain itself to its sovereign borders, which would lead to regional stability and the steady flow of oil.

Looking at both positive and negative economic policy - in the forms of loans and sanctions respectively - as the grounds for this research allowed for the quantification of the effectiveness of the measures taken by the US. Placing the economic foreign policy of the US side by side with Iraq's GDP, Iraqi and global oil production, and the prices of oil, gives a better picture of the influence America's policy had. While correlation does, of course, not necessarily mean causation, it is a good attempt at establishing the effect of policy on real-world outcome.

As we have seen, US policy was largely ineffective, and to some extent even counterproductive. The economic aide provided to Iraq during the war with Iran left the US to deal with the remnants with this economic policy, while having had marginal effect during the Iran-Iraq War itself as discussed in the first chapter. This program evolved during the inter-bellum to US policy of constructive engagement, aiming to soften Saddam's radical behavior through loans. As the second chapter shows, this allowed Saddam to both browbeat Washington, while strengthening the military apparatus for the upcoming war. Following that, the complete trade embargo imposed on Iraq did nothing to bring an end to the Gulf War. After the War we can say that the sanctions the US pushed so hard for proved successful, but only in the short term until the end of Bush's presidency. The knowledge we have of the decade leading up to the 2003 invasion reveal that those same sanctions after the War only suppressed the untenable situation of Iraq with Saddam as its leader.

This thesis supposes that the economic, not the military element was the leading force for US policy for Iraq during the period from 1983 to 1993. By using economic measures as a form of foreign policy, the US tried to maintain stability in the Gulf. In that regard, the underlying ideology did not change. Looking at the existing literature, it is surprising how underdeveloped the topic of continuity in ideology during both wars and following years is. While Tarock and Karabell made a good start analyzing the period up till the Gulf War, this research uses a larger scope and takes the decade from 1983 until 1993. The last period researched in this thesis are the two years until the end of Bush's presidency, while it definitely warrants looking at until the 2003, when sanctions continued while both Bill Clinton and George W. Bush were president. While there is plenty research on the sanctions between the Gulf War and the 2003 invasion, it warrants further exploration of how this relates to the economic policy that first manifested itself in 1983 during the Iran-Iraq War. I would argue that the concatenation of events looked at in this thesis strengthen the argument that both wars can only be truly understood from America's side in relation to each other.

Furthermore, the insignificance of the GSM-102 program in light of the invasion of Kuwait and 12 years of sanctions against Iraq needs to be developed further. Specifically the relationship between America's push for the unusually harsh sanctions it propagated after the Gulf War compared to the way the US-Iraqi relationship developed between 1988 and 1990. The most interesting angle here is if there is any correlation between America's exclusivity in providing loans to Iraq during this time and the measures taken after the Gulf War, during which the US – again – was alone in advocating a certain policy.

Going back to the theoretic framework formulated in the introduction, we see

that Gause's notion that the US had become part of the Gulf's regional security complex seems completely appropriate; the 2011 withdrawal of troops and ensuing disastrous consequences for Iraq speaks volumes to this. Yetiv's claim the US greatly benefited from the Iran-Iraq War and Gulf War seems completely misplaced. The US certainly did become more involved, but as this research aims to show, not at all to its own benefit.

Looking at the way in which America's commitment to regional stability manifested in economic policy with regard to Iraq between 1983 and 1993, it can be concluded that the policies adopted by the US were largely a failure. After the Iran-Iraq War the situation seemed to only devolve, despite America's efforts to influence Iraq. By trying to steer clear from military involvement in the Gulf region, the long-term problems the economic foreign policy of the US aimed to solve were only exacerbated. Ironically enough, operation Desert Storm was incredibly successful in achieving the formulated goals – the one time within the scope of this research that the US actually *did* achieve its goals exactly the way it envisioned.

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