Midnight Oil

Work, Energy, War 1973-1992

Midnight Notes Collective

Withdrawn

School of the Art Institute

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Oil, Guns and Money

Midnight Notes Collective

From the moments when Iraqi troops marched into Kuwait and US troops were airlifted and shipped to the Gulf, the question of oil has been persistently attached to this apparent confrontation of nation states. It is hard for anyone to avoid the conclusion that the subterranean lakes of oil had some important connection with the warmaking above the desert sands. Even the US government's own justification for its attack on Iraq was at times explicitly said to be the defense of Western access to Mideast oil and nearly every critical explanation of the Gulf crisis is framed with reference to oil. Though oil is a concrete and tangible substance, it is also slippery and volatile, one which evades analysis as much as the touch.

Oil has been one of the world's most important commodities in the post-War World II period and so the story of its use and trading is very nearly the story of capitalism. Concretely, oil is a material substance that is pumped from the earth, refined, and burned in factories, cars and kerosene stoves. Beyond its specific applications, oil's primary and general use is as a replacement for labor. Simply put, energy frees capital from labor. But oil is much more since it is also a commodity whose buying and selling greatly controls the global levels of prices, wages and profits. Oil figures into the production of almost all other commodities; as the price of oil goes up or down, all other prices tend to rise or fall accordingly.

What determines the price of oil? Many people assume that the market's "invisible hand" controls the price. However, this ignores the fact that oil is actually a prime instrument of capitalist planning and its price is determined by various political struggles. These struggles have gone through several historical phases.

From WWII until the early 1970s, capitalist planning in the West was based upon the Keynesian strategy, named after the economist J.M. Keynes. This involved increasing wages and working class consumption along with increasing the productivity of factories — a strategy that required relatively cheap oil. This was the basis for the growth of the automobile-based economy in the US, the auto deal: more gas for the autos and more energy for the labor process which produced the autos. The price of oil was kept relatively stable through the 1950s and 1960s, and this reflected the stability of the Keynesian deal during those years.

Since much of the world's oil was owned, processed and sold by seven Western (mainly US-based) oil companies, the so-called Seven Sisters, it was not much of a problem for Western economic planners to set the price of oil so that it accorded with the general growth of the auto deal. From the early years of the post-WW II period until 1973, the ratio of profits that went to the petroleum and auto industries was almost fixed (see Graph #1). In the planet's most productive oil producing region, the Mideast, these companies owned large tracts of land and paid only a nominal tax to the local governments. When the governments of oil producing countries demanded more tax revenue or more control over the oil within their borders, they were quickly sabotaged or overthrown by the US (e.g., Iran 1953, Iraq 1963, Indonesia 1965).

Within the US, the entire post-WW II economy and culture came to revolve around the auto and the assembly-line production process. Automobile production in the US jumped from three million per year in 1946 to eight million in 1950, subsequently rising to an annual average of about 10 million in the 1970s.[1] The building of the Red Sea pipeline, the formation of Israel, the switch from coal to diesel-powered locomotives on the railroads, Eisenhower's national highway building program, the Bituminous Coal Agreement in 1950 (which dramatically reduced the power of mine workers), and the ten-fold increase in the Arabian American Oil Company's (Aramco) annual production of crude oil between 1945 and 1950, were all key elements in the post-WWII shift from coal to oil as the basic source of energy.

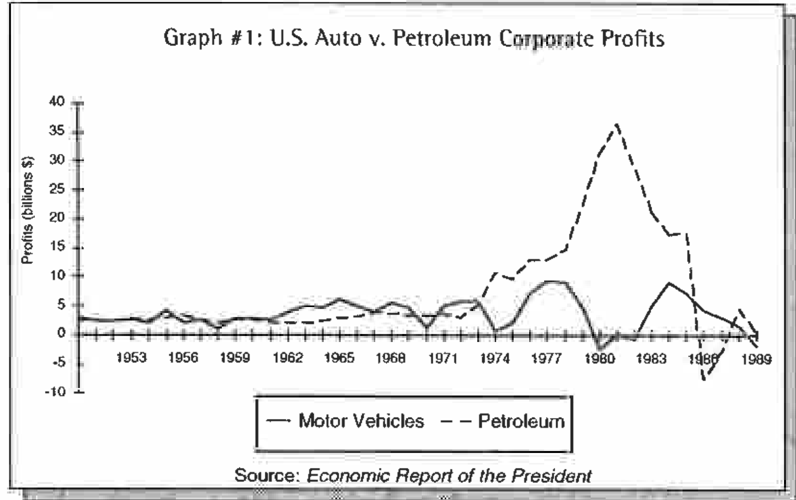
Most forms of work, from schooling to agriculture to computation, were patterned on the auto assembly line, while the typical types of workers' struggles in the auto industry circulated throughout all branches of industry. The mass availability of the car caused a quantum leap in geographical mobility. Cities were redesigned to accommodate auto traffic and a new form of housing mushroomed: the suburb. Today, the very spatial structure of US cities nearly requires auto transport. As the leading icon of mass culture, the car came to be endowed with eroticism, machismo and freedom.

The Energy Crisis of 1973-74

The end of this auto era came in the late 1960s and early 1970s when working class struggles internationally broke the wage/productivity deal of Keynesianism. The response of capitalist planners to this attack was, in the US, to impose a generalized austerity, shrink the industrial proletariat and expand the labor market through increased immigration. In Europe, there has also been a corresponding decline in the labor intensity of manufacturing industry and an increase in immigration, along with chronically high rates of unemployment.

In the oil-producing states, anti-colonial struggles and working class demands forced world capital to accede to the nationalization programs. But multinational oil companies still retained control over refining, distribution, and technical capability as well as a powerful role in oil pricing policy. Oil-producing states from Venezuela and Nigeria to Libya and Saudi Arabia also began to fragment and expand their own working class by turning to the pools of multinational labor power in Latin America, Africa and Asia. [See "To Saudi With Love: Working Class Composition in the Mideast."]

The key mechanism for the reorganization of the working class and



Graph #1: U.S. Auto v. Petroleum Corporate Profits

Source: *Economic Report of the President*

the production process in the US, Europe and the oil-producing states was the increase in oil prices, the so-called "energy crisis." As mentioned earlier, the Keynesian profit strategy in the West had been predicated on incrementally increasing wages (consumer demand), disciplining "excessive" wage demands with the threat of unemployment, and increasing productivity faster than wages. Simply put, this strategy relied on the unionization of the mass worker, to enforce productivity, and the unpaid labor of housework, to reproduce the mass worker. But Henry Ford's utopian vision of the happy married worker, with a clean home, food on the table, and a stable wage packet (enforced through regular inspections), was ruptured by a combination of wildcats in the factories and welfare demands in the cities. This crisis in Keynesian planning did not emerge only because higher wages, in the purely quantitative sense, had lowered the rate of profit, but also because the entire political structure in which wages and profits were regulated was broken by these struggles. By demanding, on the one side, wage increases disconnected from productivity increases, and on the other, a wage for reproductive work, these struggles attacked the most essential methods of surplus labor accumulation.

In response, capital opted to undercut wages and welfare, and thus to decompose workers' power which was built on a relatively high level of wealth. The energy crisis was an essential component of the counterattack for it simultaneously enabled the creation of large pools of investment capital and the lowering of workers' wages. The account surpluses in Western banks corresponded to austerity for all workers, waged and unwaged, on an international level. [See "The Work/Energy Crisis and the Apocalypse," especially section B, C and D, for a full explanation of how and why energy price rises were used to attack working class struggles.]

The energy crisis of 1973-74 is customarily blamed upon OPEC; indeed, it was OPEC that raised the price it charged the oil companies for crude oil. The OPEC decision, however, came only after the assent of the Saudi Arabian government. Other OPEC countries had been demanding price rises for years but could not effect them because of Saudi opposition. Saudi Arabia, as the largest producer within OPEC, had (and has) virtual power to set short-term price levels unilaterally through decisions about its own production. Being dependent upon US political support, the Saudi government has always made its production and pricing decisions in collusion with US economic planners. The central Saudi bank (SAMA) is managed in coordination with the US Treasury Department. Up until 1980, the Saudi state oil company, Aramco, was run by a team of US oil companies. After 1980, it was completely nationalized but is still managed in partnership with the same oil companies and much of its management is US and European.

The Saudi decision to back higher prices for crude oil in 1973 came only after the US government gave the Saudis the go ahead. The US government, in 1971, began telling Saudi Arabia, and OPEC as a whole, that the price of crude oil should increase.[2] The Yom Kippur War of 1973 is usually presented as the reason for the oil price rise: the Arab states supposedly wanted to punish the West for supporting Israel. But the war was largely immaterial to the motivations behind the price rise, just as the Arab oil embargo was immaterial to the mechanics of the rise. In fact, the Arab oil embargo was virtually non-existent and the flow of oil was at no point seriously disrupted.

The oil price rise was begun by OPEC, but the oil companies immediately raised their own prices on top of the new charges from the OPEC states. In fact, all energy companies – natural gas, coal, uranium (often one and the same) – raised their prices above and beyond the increase in oil prices. Energy sector capitalists reaped enormous profits from all these price increases. Much of the increased revenue gained by the Gulf states (Saudi Arabia and Kuwait in particular) ultimately returned to international banks and stock markets. This process, known as the recycling of petrodollars, involved enormous sums – hundreds of billions of dollars – and became essential to capitalist strategic planning thereafter. At the time, they represented the largest financial flows in the world. This new mass of investment capital allowed capitalists to intensify the automation and computerization of factories in North America, Europe and Japan. The strategy of accumulation that underlay the post-1973 oil price rise was to see how fast productivity could be increased and wages simultaneously decreased. [See "Post-Energy Crisis US Working Class Composition."]

The Iranian Revolution

While the rise in oil prices during the 1970s provided a brief refuge to world capital for some key problems, it also created new ones. By 1980, the business press was full of complaints over the form of the post-1973 economic growth in oil-producing states like Nigeria, Venezuela and Algeria. The economic planners of those countries had capitulated too easily to popular demands for higher wages and more government spending on social welfare. "The achievements [of oil-rich Arab countries during the 1970s] could have been accomplished at much less cost –

probably no more than half of what was actually spent. The savings and investments could have easily been twice or three times as large," wrote one analyst about the period.[3] While some of the increased revenues of the oil producing states had been recycled through the international financial system (petrodollars), much had been "squandered" and allowed to create the conditions for social revolutions.[4]

The most visible manifestation was contained in the example of the Iranian revolution, where the Iranian oil proletariat, less divided by an immigrant labor system, delivered the final and most substantial blow to the Shah's regime with the oil industry strike of October 1978-February 1979.[5] This strike, and the broader social revolution in Iran, revealed to capital the dangers of rapid and large increases in oil revenue in the Mideast and the other oil-producing states; that is, without sufficient control, the oil proletariat could capture a substantial portion of this wealth and topple even the most brutal dictators and regimes. *The painful lesson was that if the price of oil was to rise in the future, the societies of the oil-producing countries would have to be more strictly disciplined.*

Apart from exemplifying the dangers of a rapid rise in oil prices, the Iranian revolution had a direct impact on the methods of policing the oil-producing states. Iran had been the centerpiece of the US government's Mideast military strategy. The Shah's regime, supplied with billions of dollars from a host of arms producers, was intended to be the regional gendarme, the power used to bully other countries if they did not comply with oil production and pricing arrangements. The Shah was the cop to sabotage any nationalist and/or working class movements in the region. Iran's oil production – the second largest in OPEC – was set according to the US's production and pricing decisions, and the Shah demanded that every one else follow suit. When General Al Haig called the Iranian revolution "an unmitigated disaster," it was precisely because it ended Iran's back-up role to Saudi Arabia in the international oil market.[6]

When the Shah was forced to flee in 1979, the US government had no local power to rely upon. The Gulf states were reliable allies of course, but did not have the "manpower" (or cannon fodder) for large armies. The only solution was to construct an alternative military presence, part of which was stationing the US's own troops in the Gulf. The month after the Iranian revolution, the US government announced the plan for the formation of a 200,000-strong Rapid Deployment Force (RDF) that would be used specifically for Mideast combat. But, of course, the RDF would be useless without some place to land.

Thus, in the 1980s, the US government, in alliance with the Gulf states and Egypt, constructed a network of military bases across the region, notably in Saudi Arabia. "There had only been two major non-oil docks in Saudi Arabia in 1980, each capable of unloading one ship at a time," noted one journalist. "By 1990, nine major ports could service dozens of ships simultaneously. The twelve bare-bones airfields of a decade earlier had doubled in number . . . sufficient to allow a constant influx of US planes filled with troops and equipment."[7] The cost of this huge investment in military infrastructure and hardware: $200 billion over the past ten years, 85 percent covered by the Saudis. The systems were specifically designed for use in coordination with any future US military action in the Gulf.

The End of the High Oil Price Strategy

As the Iranian revolution was in full progress in late 1978 and early 1979, oil prices underwent another dramatic increase. In fact, oil prices during this second "shock" of 1979 rose more than they did during the first one of 1973-74. Like the earlier rise, it was blamed on a disruption of oil supply in the Mideast, in this case the Iranian revolution. Again, the disruption was largely mythical and there was never a shortage of oil. Iranian oil workers did block shipments to South Africa (90 percent dependent on Iranian oil) and Israel (60 percent dependent), and their general strike did create a crisis in oil price decision making. But the hands behind the price rise were oil companies and commodity traders who collectively raised them.[8] This price rise, though, unlike the one six years previous, could not be sustained for more than a year. The price of crude oil leveled off after 1980, began falling after 1982, and underwent a severe drop in 1985-86 when Saudi Arabia doubled its production within nine months.

The second oil price shock, like the first in 1973-74, continued to enable international capital to overcome the wage/profits crisis of the late 1960s and early 1970s and assist the restructuring (or perestroika) of the worldwide industrial organization of work. Despite success in restoring profitability on a global level, capital's transitions were not smooth. In fact, planned high oil price levels for the 1980s were abandoned early and by 1986 the oil price (in "real" terms) was lower than its 1974 level. What caused the end of the high oil price strategy?

First, during the period of roughly 1973-81, the mechanism by which the increased oil revenues were recycled from oil producing countries into the international financial system was being threatened by social struggles of the oil-producing proletariat bordering the Caribbean (Trinidad, Ven-

ezuela), the southern Mediterranean (Algeria, Libya), the southeastern Atlantic (Nigeria), and the Persian Gulf. The Iranian revolution was simply the tip of a workers' insurgency demanding that the oil revenues be used for the health and welfare of the proletariat producing the oil, and not for capitalists, be they shahs, sheiks or international bankers.

Second, in the wake of the final victory of Vietnam, Laos and Cambodia against the US military in 1975, seven more countries defeated US-backed regimes: Mozambique, Angola, Guinea-Bissau, 1975-6; Afghanistan, 1978; Nicaragua, 1979; Zimbabwe, 1979, and Grenada, 1979. The change in government in all of these countries was a product, to varying degrees, of mass-based revolutionary forces and threatened a new phase of anti-neo-colonialist struggle. Finally, there was an insurgency within the US and Europe on the terrain of energy pricing and production which marked the crossing of the coal and uranium workers, the anti-nuclear power movement, the nationwide truckers' strikes of 1974 and 1979 in the US, and the gasoline price rioters.

Though nuclear power has continued to increase its share of total energy consumption in the US during the 1980s, it was essentially ended in the late 1970s by the anti-nuke movement. Since that time, no nuclear plants have been commissioned. Nukes had been conceived as central to US capitalist development. Yet capital's inability to organize this development path, along with its inability to prevent revenues in oil-producing nations from being "squandered" on the oil-producing proletariat as well as the continuing spread of anti-neo-colonial revolts, meant that the high oil-price strategy had reached its limits. It failed to establish stable conditions of accumulation in both the US and the oil-producing states. Thus, capital had to formulate a new strategy which could respond to this newest phase of crisis.

Graph #2: Oil Prices, 1970-1989

$/bbl

36.00 32.00 28.00 24.00 20.00 16.00 12.00 8.00 4.00 0.00

1970 1973 1976 1979 1982 1985 1988

-- Constant $ — 1982 $

Source: *Statistical Abstract of the United States*

II. War and Austerity vs. the International Intifadah

Known variously as "Reagonomics," "Thatcherism" and "monetarism," capital's strategy for the 1980s was not based on oil price hikes as in the previous decade, but on using the debt of most of the world's countries by imposing austerity programs, usually at the behest of the International Monetary Fund (IMF). Thus, in place of the energy crisis of the 1970s, the world of the 1980s was presented with the debt crisis. Debt and austerity were accompanied by a greater militarization of the planet, particularly through the US military's practice of low-intensity warfare. Such a strategy was used for most of the decade, but the explosion of anti-austerity actions in various countries in the late 1980s, in the Mideast especially, was an important factor behind its demise.

Depression and Debt: 1979-1983

The first recourse was to a global slowdown. The depression of 1980-83 was engineered quite consciously by the US Federal Reserve Bank when, in the fall of 1979, it contracted the money supply and induced a steep climb in interest rates (up to 21 percent in 1981). This allowed some time for capital to regroup and reorganize before any new cycle of investment would begin. The contraction of markets and production in the US, Europe and Japan furthered the job initiated by the energy crisis of cutting wages, busting unions, and increasing unemployment. For countries borrowing money from banks in the US, Europe and Japan, the high interest rates combined with a loss of export markets and the decline of primary commodity prices quickly increased their debt to astronomical proportions (e.g., Brazil, Mexico and Argentina).

The inability of many countries to pay back loans to Western banks threw them into the hands of the IMF, which provided new loans to pay back the old loans. As a condition for its loans, the IMF required that the receiving country implement an austerity program, i.e., a devaluation of the currency, drastic cutbacks on government spending and the public

sector, promotion of exports, and freer regulations for foreign capital. Between 1982-84, 66 Third World countries agreed to IMF-sponsored austerity programs.[9] These measures, ostensibly intended to restore the country's "balance of payments," represented a new political strategy for managing the relationship between Western capital and individual nation states and for decomposing the international working class. Thus, the debt crisis did not turn into any major danger for capital, indeed quite the opposite. It became a means whereby it gained greater control over national economies and greater ability to push through a restructuring of the international labor market. ["Audit of the Crisis" introduces this point and is developed in "The Debt Crisis, Africa and the New Enclosures" and "Introduction to the New Enclosures."]

The case of oil-producing Mexico is paradigmatic. The high oil prices of the 1970s allowed Mexican capital to finance both a high rate of industrial expansion and an intimidating level of police power over the working class. However, the combination of falling oil revenues and high interest rates in the early 1980s led quickly to virtual bankruptcy. The Mexican government declared a moratorium on further payments to foreign banks in August 1982, thus officially inaugurating the debt crisis. Immediately after declaring the moratorium, the government began negotiations with the IMF for loans and over the terms of the prescribed austerity program. Since its IMF agreement, the government has been attempting to lower the wage even further and end much of government spending for health and education. Simultaneously, it has encouraged the growth of the maquiladora section near the border with the US, where multinational corporations have set up thousands of factories. Throughout the 1980s, corporations closed-up shops in the US and moved just across the border. The debt crisis and the subsequent IMF austerity program were what enabled this decomposition of both the Mexican and US working class to occur.[10]

Even though global interest rates began falling after 1982, largely in response to Mexico's moratorium, the damage had been done. The debt of many countries had multiplied and been pushed far into the future. Mexico's debt, for example, was rescheduled so that payments of tens of millions of dollars to foreign banks were extended over the next 30 years. Thus, even with falling interest rates, the IMF was in a strong position to take control of many national economies. Western capital formed a solid block behind the IMF: if a country did not agree to an austerity plan it would be blacklisted from all commercial banking. Without the IMF plan, no bank would deal with the country. This was an effective boycott which constrained many governments to accept stiff conditions of austerity.

But the US and the IMF could not press so hard that nationally-based capitalists, finding little profit and much dirty work, would be tempted to give up the ghost. Austerity measures were already encountering fierce resistance. Thus, Western capital retreated from further imposing higher levels of debt by devaluing the dollar by one-half in 1985.[11] This maneuver, in one stroke, lowered the value of the debt held by countries from Mexico to Poland by one-half. But this was no charity. If the lowering of interest rates in 1983 had been prompted by Mexico's moratorium, the dollar devaluation was prompted by South Africa's moratorium on payments of its debts to foreign banks in August 1985. The potential of South African capital to succumb to the Black workers' struggles within the country and to provoke other governments around the world to similarly halt loan payments was enough to force Western capital to change the terms of the global debt.

In this manipulation of monetary values we see capitalist planning at its most abstract and reified levels, where decisions seemingly removed from the labors on the shop floor or in the kitchen ultimately entail the most profound effects. One of the more important consequences of the dollar's devaluation, for example, was the simultaneous devaluation of oil. As the dollar was taking a free fall in the market, Saudi Arabia doubled its production within nine months and thereby halved the price of oil.[12] The US government arranged this oil devaluation to keep the US import bill from skyrocketing. With a dollar half of what it was worth before, imports, particularly oil, would have doubled in cost. The US was already becoming the largest debtor nation in the world and there was the fear that the dollar devaluation, if taken alone, would have thrown the US over the edge of solvency. These twin maneuvers of 1985-86 – the dollar and oil devaluations – exhibit how the international market is consciously structured by capital. [See "Rambo on the Barbary Shore."]

The effect of the oil devaluation was to bankrupt the countries whose economies were based on oil. Oil prices had been falling ever since 1981 but the swift and steep drop in 1985-86 threw nearly every oil-producing state in crisis. The onset of perestroika in the USSR dovetailed precisely with this precipitous drop. Other oil-rich states, like Venezuela, Nigeria, and Algeria, that had been capital's prodigal sons during the 1970s, were forced onto an IMF-directed regimen of austerity. All had ambitious plans for capital accumulation during the 1970s, but in the 1980s their revenue from oil exports fell lower than their debt to foreign banks. While the decline in revenue hit state treasuries and workers hard, cabinet ministers

and economic planners actually welcomed the move. "It should force an overdue streamlining and introduce some rationality in managing society and its resources," said one commentator.[13] In addition, the nationalization of the oil fields and oil industry, in most cases accomplished only 15-20 years prior, was quickly subverted, much to the satisfaction of multinational oil companies: "The low oil prices that prevailed throughout the 1980s have unmasked the nationalistic claim of virtually all oil-producing nations that they could develop oil resources efficiently on their own."[14]

The nations that exported laboring men to the oil states were also hard hit in the 1980s. Egypt, Jordan, the Israeli-occupied territories of the West Bank and Gaza Strip, India and Pakistan were the worst effected. Workers' remittances had been a key strategy of the economic planning in many countries from the Mideast to Southeast Asia. Once the remittances fell, their national budgets fell deeper into the red. This made them even more susceptible to IMF plans for austerity. Throughout Africa, Eastern Europe, Latin America and Asia, governments based on the oil economy were forced to accept austerity regimes in order to "pay back" the debt they and their ruling classes had accumulated in the 1970s. These austerity regimes, in effect, ended the form of the state socialism that was prevalent in the aftermath of anti-colonial revolts.

Low Intensity Warfare and High Intensity Death

Every loan shark has an enforcer and the IMF is no exception. If capital was to impose the debt crisis and austerity programs in the 1980s there had to be some means of coercion to enforce these conditions on both national governments and the working class. Interest rates and oil prices can be moved up and down, but the world is not an economic robot that automatically translates these movements into greater profits for Western banks and corporations. In the case of commodity transactions, non-payment means a halt in the delivery of the commodity – that is an enforcer in such situations. Thus with the energy crisis, every country was forced to accept higher prices or simply do without the oil. But in the case of loans, there is not necessarily an immediate decrease in the borrowing country's consumption if it decides not to make the loan payments; in fact there may even be an increase in consumption.[15] Consequently, the states behind the IMF and World Bank (e.g., the US, Japan, Europe), had to find a method to enforce the repayment of loans. Low intensity warfare, a relatively cheap and chronic form of warfare, became the cudgel that was used to threaten debtor countries. Neither a one-time bombing run nor a mass assault, low-intensity warfare matched the timing and severity required for inducing ongoing loan payments.

During the 1980s, military budgets throughout the world soared, with the US, in its role as the world's cop, leading the way. Though US military spending had steadily declined after a high of $324 billion in 1968 to a low of $203 billion in 1976 (in 1990 dollars), it began to climb back up after 1978 so that yearly increases brought it back to $320 billion by 1987.[16] During the 1980s, US military spending increased over a third.

The Pentagon's organizational tactics changed along with the rest of industrial production in the aftermath of the riots, strikes and protests which ended the Keynesian deal. The Pentagon began following the low wage/high automation strategy which defined capitalist strategy as a whole. The assembly line soldiering of the Vietnam War was junked like all the factories of America's rust belt. The new strategy of low-intensity warfare combined guerrilla tactics with various levels of sophisticated killing machines. The debate in Washington was always over how much capital these cheap guerrillas could be trusted with, e.g., the debate over giving Stinger missiles to the Afghan mujahedin. The military was simultaneously pushing the limits of both capital-intensive weaponry and slave labor soldiering and then experimenting with how far both could be directly combined. Thus, in the 1980s the US military combined staggering amounts of investment in fixed capital (nuclear weapons, submarines, star wars research, etc.) with cheap Third World mercenaries (the Afghan mujahedin, the Nicaraguan contras, the Angolan UNITA troops, the Cambodian Khmer Rouge, the Mozambican Renamo troops). [See "Rambo on the Barbary Shore."]

The strategy earned the tag of "the Reagan Doctrine," revealing the centrality of low-intensity warfare to the policies of austerity. War was essential in both undermining national anti-neo-colonial revolutions, e.g., "communism," and in enforcing the austerity strategy internationally. A cursory look at some of the recipients of these policies, resulting in millions of deaths, makes for a salutary reminder as to the scope and brutality of the strategy. In Africa – Libya, Chad, Somalia, Angola, Mozambique and Namibia; in Asia and the Middle East – Afghanistan and Cambodia; in Central America – El Salvador, Guatemala and Nicaragua. The lesson of these US military interventions was clear: no one could escape the twin imperatives of international capital in the 1980s, debt and austerity, without brutal and incessant warfare. The importance of the contras in Nicaragua, for example, was not just for the sake of Nicaragua itself but for all Latin American countries that would defy capital's rules

(even slightly as in Nicaragua's case).

On top of low-intensity warfare, the Pentagon retained more "conventional" practices: the support for Israel's mass invasion of Lebanon in 1982, counter-insurgency in the Philippines throughout the 1980s, the shelling of Beirut in 1983, the invasion of Grenada in 1983, the bombing of Libya in 1986, the Persian Gulf occupation and attacks on Iran in 1987, and the invasion of Panama in 1989-90. These reinforced the same pedagogy as the low-intensity warfare doctrine and laid the groundwork for reintroducing US troops on a mass level in international enforcement of debt and austerity – the culmination of which most recently was the war on Iraq.

The Iran–Iraq War

Let us look at the largest war of the 1980s and one central to our story of oil and the 1991 Gulf War: the Iran-Iraq War. This began in 1980 when Iraq invaded Iran. It lasted eight years and resulted in no change in the borders nor any concessions from either side. In one sense both sides lost. But then again, both sides won. The power of the Iraqi and Iranian working class was virtually destroyed by the war. After eight years both countries had gained millions of widows, amputees, paupers, sadists and corpses. Not just Iranians and Iraqis were affected; during the war nearly two million migrant workers lived in Iraq. The war, combined with the police state in both Iran and Iraq, made working conditions in the two countries as militarized as the coca fields of South America.

In the wake of the Iranian revolution, the terrorization of the Mideast was a necessary maneuver for the oil monarchies in the Gulf who saw the revolution as a threat to their very survival. Thus Iraq, backed by the Gulf monarchies, began the war with an invasion of Iran in September 1980 in order to defeat the revolution, or, more precisely, revolutions. Both Khomeini's brand of pan-Shi'i politics and the Iranian leftist tendencies presented a threat to the Gulf states even though the two forces were opposed to one another within Iran. The invasion of Iran had a dual effect. It helped to limit Khomeini's influence internationally, while it helped him consolidate his dictatorship internally. Opposition to Khomeini was finally routed in June 1981 with country-wide massacres and arrests.[17] The invasion also helped Saddam Hussein and the Iraqi Ba'thists to consolidate their own dictatorship. There was a kind of unity of purpose between Khomeini and Hussein in continuing the war. Hussein had just assumed the title of president the year before and the environment of war allowed for the further development of a police state.

Iraq was financed by Saudi Arabia and Kuwait to the tune of $50-60 billion during the eight-year-long war. OECD states chipped in an additional $14-15 billion, commercial banks around $9 billion and the Soviet Union $10 billion.[18] Iraq became the one of the world's largest arms purchasers and its principal arms suppliers were the USSR (53 percent of sales) and France (20 percent). For the US and the Gulf states, the goal of the war was to cancel out both Iran and Iraq as independent regional powers. As Henry Kissinger advised, "The ultimate American interest in the war [is] that both sides should lose." But the US did maintain a tilt towards Iraq, particularly after 1982 when Iran turned the tables and marched into Iraq. US officials stated that while neither side should win, an Iranian victory would be the worst scenario of all.[19] This analysis was shared by the ruling classes of Europe and Japan, for they too had an interest in re-engineering the class relations in the Mideast through warfare.

As long as oil production and shipping around the Gulf states was not significantly hampered, the US government had no need to send its troops. But oil shipping was disrupted in 1987. Iraq was losing the war and had begun bombing tankers; Iran replied in kind. In what was to prove a dry run of the war against Iraq some three years later, the US military led a force into the Persian Gulf to intervene on Iraq's behalf. The US Navy shot down an Iranian passenger jet killing nearly three hundred people and also attacked Iranian oil platforms in the Gulf killing another 200 people. The message to Iran was clear: if it did not end the war with Iraq, the US would send in the bombs. Iran got the message and decided to conclude the war; the two sides agreed to a UN-sponsored cease-fire in 1988.

The International Intifadah

In the 1980s, anti-austerity and anti-IMF rebellions became a regular part of the international class struggle, with the latter half of the decade witnessing the most severe cycle of this form of struggle. Strikes, riots and demonstrations confronted the regimes that sought to raise prices, lower wages, cut social services or lay-off workers. These struggles often revolved around energy pricing and production, where the IMF has paid particular attention. As such, oil producing regions in Africa, Latin America and the Middle East, such as Algeria, Jordan, Gabon, Nigeria, Morocco, Trinidad and Venezuela, which had all endured steep drops in the standard of living, were hit hard by anti-austerity riots from 1988-90. These were popular insurrections which had profound effects on their respective governments. In all of these countries, the ruling regime that

... to impose the IMF program was forced to make concessions or was threatened with an army coup. In most cases, these countries were in the process denationalizing and privatizing their respective oil industries and allowing the renewed penetration of foreign capital. Within the Middle East, all of the insurrections were directly inspired by the Palestinian intifadah which started in December 1987. Even though the Palestinian intifadah began as a struggle against a particularly vicious form of settler-colonialism and national socialism (Zionism), its spirit of resistance was adopted by others fighting financial colonization by the IMF.

First came Algeria in October 1988, when thousands took to the streets in response to President Benjedid's proclamation of more price hikes. Over the course of the previous eight years the government had been firing thousands of workers. The unemployment rate for people in their twenties was 50 percent. At the time, meat was selling for around $10 a pound, twice the price the year before, while the average wage hovered around $250 a month. Algeria's exports consisted entirely of oil and gas (98 percent of total exports); once the price of oil fell, the state went bankrupt. Out of $8 billion in export earnings, $5 billion was being sent to Western banks to service the debt.

The frustration of seeing rich Algerians sell the country to foreign banks while the poor struggled to survive finally exploded in 1988. Airline, communication, industrial and postal workers went on strike in September and October to prevent further retrenchments. Then, when a new austerity program came, hundreds of thousands of people, particularly the youth, went out across all the major cities and towns of Algeria, attacking government buildings and looting stores (the Ministry of Commerce and Ministry of Youth and Sports, for instance, were set on fire). The government responded with bullets, killing about 300 people and wounding another 1,000. The military arrested about 3,000. One reporter noted that, "many young people said they had been inspired by the Palestinian uprisings in Israeli-occupied territories."[20] President Benjedid was forced to make some concessions and to open up the government. In June 1990 elections were held in which some parties opposed to IMF deals and social inequality gained a large number of seats. The most notable beneficiaries were the "Islamic fundamentalists," who reaped the benefits of anti-austerity sentiments.

The increase in the price of oil in the latter half of 1990 produced an extra $1 billion in revenues for the Algerian state. But, like other oil-producing states who shared the "windfall," the government announced that three-quarters would go to service the debt. Opposition to austerity continued and a general strike hit the government in March 1991. As has been the case throughout post-independence Algeria, the army lay behind the government's policies, and finally launched a coup in early 1992.

After Algeria, came Venezuela, a major exporter of oil to the US. In February 1989, the President announced an austerity package in order to secure an IMF loan. As in other oil-producing states, the Venezuelan government was planning massive new investment in the oil industry, reportedly in the region of $48 billion, and, for the first time since nationalization in 1976, the government was opening up the oil fields to foreign companies. At the time of President Pérez's announcement, Venezuela's foreign debt was around $33 billion, and Chase Manhattan, heading the advisory committee representing Venezuela's foreign creditor banks, wanted action, i.e., austerity. Real wages had already dropped by at least 40 percent over the previous six years. On top of that, the prices of basic commodities like coffee and flour were rising. A 30 percent hike in transportation and fuel prices sparked the uprising which spread throughout the country, from Caracas to Maracaibo and San Cristobal. The police and army were sent in to quell the populace, killing hundreds and perhaps as many as a thousand people.[21] As in Algeria, rumblings of a military coup swirled in the mass media. The "Caracazo," as the rebellion came to be known, was followed by yet more protests, and a military coup eventually followed in February 1992. Though the coup ultimately failed, the military officers justified their actions by claiming that they sought to end corruption, prevent the privatization and sale of sectors of the oil industry to foreign companies, and stop government austerity measures.[22]

Two months after the Venezuelan riots, Jordan tried to implement an IMF-ordered austerity program. The result was predictable: riots. As one man said at the barricades, "This is our intifadah." Again government buildings were attacked. People were particularly angered over the increase in the price of oil which, as they could see with the oil fields all around them, need not be that expensive. After killing 11 people, the monarch of Jordan agreed to some political reforms in his martial law regime. As in Algeria, an election in 1990 brought more "Islamic fundamentalists" to power. While publicly expressing the economic frustrations of the people, and thus gaining some popular support, the Islamicists were used by King Hussein to block left-wing parties.[23]

From the shores of the Dead Sea to the sunny Caribbean, the story line was basically the same. In late July 1990, a 100-member Islamic group seized the top officials of the Trinidadian government and demanded an

end to its harsh economic policies. The group's leader, Abu Bakr, called for a more representative government to be formed. Most Trinidadians were not fully behind Abu Bakr. Nonetheless, they understood the reasons for his action and took advantage of the government being tied up (literally) by looting the shops. The Oilfields Workers' Trade Union stated that the coup was a product of the increasing level of violence and poverty in the country. The Union expressed a similar sense of ethics as Abu Bakr, "No society which is tied hand and foot to IMF/World Bank Structural Adjustment will be a just society."[24]

The revolts then headed across the Atlantic. As the Pentagon was casting murderous clouds of war over the Gulf, one of its coalition partners, the monarchy of Morocco, was rocked by IMF riots. As in 1981 and 1984, the Moroccans went to the streets to attack the banks, limousines and government offices. One five star hotel was burnt to the ground (but not before the TVs were taken). The riots of December 1990 coincided with a general strike of the two major trade union confederations, demanding, among other things, a doubling of the minimum wage. As in Trinidad, the trade unions did not start the riots but sympathized with the anti-austerity demands of the rock throwers and looters. The spirit of the intifadah whirled through the ancient alleyways of Fez.[25]

By the late 1980s, the decade of deep austerity and widespread war was being met by this international intifadah. But as the wave of insurgency was surging across the planet, capital was planning oil price increases and a restructuring of the oil industry, particularly in the "low-cost" (high profit) regions such as the Gulf. For this to succeed, there would have to be a quantum leap in repression to thwart the possibility of revolutionary explosions similar to those of the late 1970s and '80s. Oil prices could not just be automatically hiked up, massive new investment programs begun, and the oil proletariat reorganized. There were already mass uprisings throughout the Mideast and any attempt to act against the interests of the oil-producing proletariat (both the waged and unwaged) would have meant an even more serious and widespread insurrection in a most vital branch of production. The only solution for capital was to establish the preconditions of uncompromising terror before launching any major changes in the oil industry. What we are witnessing in the Mideast is a familiar pattern under capitalism: the forcible *and violent decomposition of the working class.*

Notes

[1] *World Motor Vehicle Data 1990*, p. 11.

[2] The U.S. role in pushing up the oil price has been well documented. See V.H. Oppenheim, "Why Oil Prices Go Up: The Past, We Pushed Them," *Foreign Policy* 25, Winter 1976; and Pierre Terzian, *OPEC: The Inside Story* (London: Zed Press, 1985).

[3] Abdel Majid Farid and Hussein Sirriyeh, eds., *The Decline of Arab Oil Revenues* (London: Croom Helm, 1986), p. 103.

[4] See Jahangir Amuzegar, "Oil Wealth: A Very Mixed Blessing," *Foreign Affairs*, Spring 1982.

[5] Terisa Turner, "Iranian Oilworkers in the 1978-79 Revolution," in T. Turner and P. Nore, eds., *Oil and Class Struggle* (London: Zed Press, 1980).

[6] Introduction by Alexander Haig, *Oil Diplomacy: The Atlantic Nations in the Oil Crisis of 1978-79* (Philadelphia: Foreign Policy Research, 1980), p. xi.

[7] "Eye of the Storm," *Mother Jones*, Nov/Dec 1991.

[8] See Terzian (1985). On Iranian oil workers see Nore and Turner pp.272-301.

[9] Tatjana Chahoud, "The Changing Roles of the IMF and the World Bank," in *The Poverty of Nations*, E. Altvater, et al, eds., (London: Zed Press, 1991).

[10] This recomposition can be seen clearly in the case of General Motors which, according to a United Auto Workers report, is the largest private sector manufacturer in Mexico. GM plans to fire 74,000 U.S. workers (according to a December 1991 announcement), even while it plans on increasing the number of its workers in Mexico. At present, it employs 43,000 workers in 38 plants just south of the border; two more plants are under construction. The workers remaining in the U.S. are being blackmailed into accepting increased hours of work and lower wages.

[11] On 22 September 1985, the finance ministers and central bankers of the U.S., West Germany, England, France and Japan met in New York City's Plaza Hotel and decided to push the dollar down.

[12] Saudi Arabia began to increase production and offer discounts of two and a half dollars per barrel in September 1985, precisely when the dollar began to be devalued.

[13] Abdel Majid Farid and Hussein Sirriyeh, p. 103.

[14] Edward Morse, "The Coming Oil Revolution," *Foreign Affairs* (Winter 1990), p. 40.

[15] This reality has been a continual problem for creditor's. See Benjamin Cohen, "A Global Chapter 11," *Foreign Policy*, Summer 1989.

[16] William Kaufmann, *Glasnost, Perestroika and U.S. Defense Spending* (Washington, D.C.: The Brookings Institute, 1990), p. 55.

[17] On the Iranian left movement see Ervand Abrahamian, *The Iranian Mojahedin* (New Haven: Yale University Press, 1989).

[18] Marion Farouk-Sluglett and Peter Sluglett, "Iraq Since 1986: The Strengthening of Saddam," *Middle East Report*, November-December 1990.

[19] Abbas Alnasrawi, "U.S. Foreign Policy in the Middle East," *Arab Studies Quarterly*, Winter 1989.

[20] On the Algerian riots: *New York Times*, 10 and 12 October 1988; *The Economist*, 15 October 1988.

[21] On Venezuelan riots: *New York Times*, 28 and 29 February 1989; *The Economist*, 11 March 1989.

[22] Like elsewhere in Latin America, austerity has hit middle-ranking military officers hard, prompting discontent.

... riots: *New York Times*, 21 April 1989; *The Economist*, 31 March 1990. On Jordan's election: Philip Robins, "Jordan's New Election: A New Era?," *Middle East Report*, May-August 1990, and Stephen Hubbell, "Jordan Votes the Islamic Ticket," *The Nation*, 25 December 1989.

[34] Statement by the Oilfields Workers' Trade Union on the Events of July 27th-August 1st 1990. Also see Chris Searle, "The Muslimeen Insurrection in Trinidad," *Race and Class*, Oct.-Dec. 1991.

[35] On the Moroccan riots: *New York Times*, 17 and 18 December 1990.

2

To Saudi With Love: Working Class Composition in the Mideast

Midnight Notes Collective

> *"The mercy of God be upon you, Ustaz Selim. If you had lived, if you had been drowned by poverty as I have, I wonder if you would have done what I am doing now? Would you have been willing to carry all your years on your shoulders and flee across the desert to Kuwait to find a crust of bread?"*
>
> – Ghassan Kanafani, *Men in the Sun* (1956)

THE MASS MIGRATION OF MILLIONS OF WORKERS FROM AROUND THE PLANET TO the Gulf region has been a process with few, if any, historical precedents. In terms of the sheer numbers involved, the geographically diverse origins of the workers, the speed at which the labor force has been assembled, and the conditions under which these migrants work, the structure of labor in the oil-producing regions of the Mideast stands comparable to the Atlantic slave trade and to the Nazi, Stalinist and apartheid organizations of labor power.

Roughly seven to eight million workers from outside the immediate oil-producing states comprise 75 percent of the total labor force in the Gulf.[1] This oil-producing proletariat comes largely from Asian countries, primarily Bangladesh, India, Pakistan, the Philippines and Sri Lanka, and African and Arabic countries such as Egypt, Sudan, Syria and Yemen. Ninety percent of the labor force of the United Arab Emirates, for instance, is composed of non-nationals, the bulk from India, Pakistan and Iran. And