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The Persian Gulf

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Case Preview

THE GULF WAR IS OFTEN CITED as the post-Cold War model of multilateral response to military adventurism. Larger than the Vietnam War, such a conventional military operation had not been seen since the Korean War, when American and UN forces also beat back an invasion and restored the status quo ante. The massive efforts to expel Iraqi forces from Kuwait in the winter of 1991 by American-led coalition forces also confirmed the value of a multilateral approach and the importance of modern weapons, tactics, and communications technology.

The Gulf War was also an instance of costly and belated Western intervention in a local or regional conflict. What distinguished this event from interventions in Somalia and Haiti, however, were the high political and economic stakes for the West and the large scale of military operations.

The Gulf War case is different from other cases in this study because it involves a cross-border or interstate conflict. While less frequent than internal conflicts in the post-World War II era, cross-border conflicts remain an important threat to world stability and can be the most costly type of encounter in human and economic terms.

As with the other cases in this volume, the central research question is whether early intervention in the Iraq-Kuwait crisis would have cost the international community less in purely economic terms than the actual op-

erations of Desert Shield and Desert Storm. Therefore, this chapter focuses on the economic costs and losses from this conflict to external actors.¹ These costs included direct costs of intervention, trade disruption, debt write-offs, decreased tourism, and higher oil prices. These costs are then compared to the costs of two projected counterfactual intervention and deterrent scenarios. This case study supports the hypothesis that early intervention is cost-effective. Since significant savings would have been realized in both early intervention scenarios, this case study also refutes the null hypothesis that early intervention would have no impact on the costs borne by the international community.

The Gulf War is an important case in this study for many reasons. First, the Iraqi invasion of Kuwait was the first post-Cold War conflict that directly involved Western economic and political interests. The case therefore set a precedent for foreign policy and is likely to influence future decision makers. Second, the Gulf War was the first war that took place in “real time,” that is, while people were watching it. During the Vietnam War, the West saw daily pictures from the battlefield, usually on the evening news. During the Gulf War, there was twenty-four hour coverage of events as they happened. This created new political challenges for the West in justifying war aims and battlefield conduct. Third, the Gulf War demonstrated the increasing military power gap between advanced and less developed nations. The Soviet-oriented Iraqi military was no match for the West’s sophisticated weapons. This weapons quality gap also kept the West’s human cost surprisingly low, though the economic cost was enormous. Last, this case demonstrates the enormous cost of regional interstate conflict to the international community: the total external cost of this conflict exceeded \$100 billion.

There were early indications that this conflict was likely to occur and at least two opportunities to preempt the Iraqi invasion of Kuwait. There were four clear signals that Iraq intended to solve its economic and financial problems by invading Kuwait, and there were two time periods when early, cost-effective action could have averted the crisis and reduced the cost of intervention.² The first signal that Iraq was moving toward a military solution came in February 1990 at an Arab Cooperation Council meeting in Jordan. Saddam Hussein placed his Arab neighbors on notice that a redistribution of oil wealth was necessary and that the United States must have no influence in the region. In response to this aggressive stance, Egyptian President Hosni Mubarak called for an early end to the meeting, clearly disturbed by this new, aggressive Iraqi position.

The second signal of growing Iraqi aggressiveness came on April 2, 1990, when Saddam announced that Iraq had developed chemical weapons and would use them against Israel. While this drew some response from Washington, there was no clear change in American policy. Israel re-

sponded by stating that any chemical attack would provoke a serious response, and they attempted to convince the United States that Iraq was preparing for military action.

The third signal came during the Arab League summit in May 1990. Here, Saddam added his fellow Arabs, especially Kuwait, to the list of Iraqi enemies, for waging economic warfare against Iraq. By the middle of 1990 Saddam Hussein had called for the removal of all American forces from the Middle East, had threatened Israel with chemical attack, and had demanded a forcible redistribution of Arab oil wealth. Together these actions clearly indicated that military action by Iraq was at least possible and would likely be directed against the only two targets within reach: Kuwait and Israel.

The final signal came on July 17, 1990. Saddam delivered a speech combining previous themes and proposed himself as the defender of the Arab people. He praised his armed forces, noting their reach and power. He also sent to Kuwait a formal list of Iraqi grievances, demanded that these be addressed, and accused Kuwait of conspiring with the United States and Israel against Iraq.

By May, or at least by the middle of July, 1990, the West had clear indications that Iraq was preparing for military action and that the likely target was Kuwait; yet the United States did nothing to deter Iraq. Israel was out of the reach of Iraqi conventional forces and could threaten to use nuclear weapons if Iraq dared to employ chemical weapons. Iraq's strength lay in its tank divisions, and these could only be used against Kuwait. During July the United States had detected the movement of Iraqi ground forces toward the Kuwaiti border at the same time Saddam had scheduled his attack on Kuwait.³

The West could have taken early, preventive measures to forestall the invasion. Even though the United States was engaged in an ongoing attempt to co-opt Iraq, the U.S. leaders knew that the Iraqi military was preparing for action and might be deterred. However, the United States failed to act. It is reasonable to believe that the West knew of the danger and could have acted to preempt this conflict in May or June, after the third signal that Iraq was becoming more dangerous. At this time Western action could have preempted this conflict and saved hundreds of thousands of Iraqi lives as well as billions of dollars. Action in late July would have proved to Saddam that the gamble of invading Kuwait would not pay off, saving the West some \$100 billion. If this had failed and Iraq had attempted some cross-border action, the presence of militarily superior American troops would have quickly demonstrated the futility of an invasion. Even if Western policymakers thought an invasion of Kuwait was unlikely despite the warning signs (as probably was the case), the dangers of such an invasion made preventive action reasonable.

Origins of the Conflict

Iraq was in desperate shape on the eve of the Gulf War. Exhausted by the war with Iran, troubled by Kurdish and Shi'ite separatist movements, and faced with a low price for crude oil and declining government revenues, Iraq could not easily solve its economic problems. Saddam, while exercising considerable control of the country, was faced with difficult trade-offs and financial constraints. Iraq's economic infrastructure had been severely damaged during the war with Iran, the economy had become almost entirely dependent on oil revenues, and the capital needed to diversify was unavailable. The military was consuming the lion's share of revenue and Saddam decided to keep the army in uniform rather than turn them out into the streets.⁴ Iraq also owed at least \$30 billion to the West, as well as another \$30 billion to Middle Eastern states, and debt service was increasingly expensive. In addition, no further loans were forthcoming and Western sources of advanced technology were shut down during the late 1980s.⁵

In addition to the West, Saddam had several reasons to blame Kuwait for his troubles. Long-standing claims Iraq held against Kuwait included: a territorial claim based on the fact that Kuwait had been governed from Basra during the Ottoman Empire; Kuwait's refusal to allow Iraq the use of two small coastal islands for shipping purposes; Iraq's belief that Kuwait was stealing oil from the Rumaila oil field shared by both countries; Kuwaiti overproduction of oil that kept prices low;⁶ and the large debt that Iraq owed Kuwait.⁷ This amounted to "economic warfare" against Iraq and underscores the large and growing losses incurred by Iraq, and the increasingly desperate situation that Saddam faced.

Various accounts of the origin of the Gulf War rely on miscalculation by Saddam of American willingness to fight, his ability to threaten Israel and therefore restrain the United States, and Saudi unwillingness to host Western troops.⁸ Accounts in the popular press blame the war on Saddam—his aggressiveness or foolishness—and go no further. Others blame the United States for giving permission for an Iraqi attack or at least for sending mixed signals about the American reaction,⁹ or cite a bid for hegemony or Iraqi domestic unrest as motivating the invasion.¹⁰ However, none of this explains what happened to change Saddam's mind from pressuring Kuwait to invading Kuwait. The permission argument seems quite unconvincing after examining the transcript of the meeting between American Ambassador to Iraq April Glaspie and Saddam. The other explanations are also incomplete or unconvincing.

The questions, simply put, are what happened in 1990 to change Saddam's actions from threat to attack, and why did he choose occupation of the entire country instead of only the disputed oil field and off-shore is-

lands? The tensions between Iraq and Kuwait were substantial as early as 1988, when many of the issues were first raised, and some analysts felt even then that it was only a matter of time until Iraq would attack.¹¹ There were few feasible policy options available to Saddam, and Iraq had reached a point where only a high-risk/high-return strategy would reverse the declining economic situation. Given the set of options, the choice narrows to an invasion of Kuwait.

In the decision process prior to the Gulf War, Saddam was like the gambler who had been losing steadily for quite some time and was nearly out of chips. His losses mounted and his endowments shrank, and the only remaining asset he had was an army. This biased all his policy choices toward high-risk/high-return options using his remaining asset. Saddam came to view his position as increasingly desperate and eventually made a very risky choice. The gamble Saddam chose, while risky, had to provide a large enough reward, and only complete occupation of Kuwait and access to the entire Kuwaiti endowment would have been sufficient. In one stroke Saddam could literally have gone from rags to riches.¹² Thus the invasion of Kuwait was a classic example of a high-risk/high-reward choice made after accumulating huge losses.

It was quite clear from the beginning that Saddam's war aim was to loot Kuwait. Once the Iraqi army controlled the territory of Kuwait, Saddam installed a client regime and attempted to access Kuwait's substantial international investments. However, the gamble did not pay off. The world financial community denied Iraq access to the accounts. So Saddam announced the annexation of Kuwait and turned to a longer-term strategy of gaining revenue from control of the oil export market.¹³

Once Saddam had Kuwait, the fact that he stopped there and did not move against Saudi Arabia needs additional explanation. Once he had Kuwait, a valuable gain that included a large debt write-off as well as proven oil reserves, Saddam adopted a less risky policy. The prospect of American action if he invaded Saudi Arabia seemed certain, and having already won a prize, Saddam chose a less dangerous strategy. Taking into account the chain of reasoning and risk-acceptant nature of the Iraqi regime, analysts can construct a plausible explanation for Saddam's choices.¹⁴

Feasible Options

The feasible set of policy options may be broken down along two axes, and some options are presented in table 6.1. Saddam selects a policy or set of policies that meet his needs. The policies in the upper-left quadrant are the most risky and yet are the most rewarding if the policy goals are met. The upper-right and lower-left quadrants are less risky, while the lower-right quadrant has the lowest risk/return.

TABLE 6.1
The Persian Gulf: Feasible Set of Policy Options for Saddam Hussein

| | International | Domestic |
|---------------------|---|---------------------------------------|
| Aggressive | Invade and annex Kuwait | Use army versus Kurds/ Shi'ites |
| | Increase pressure on Kuwait/ Israel | Declare martial law |
| | Occupy off-shore islands/oil field | Nationalize remaining assets |
| | Increase terrorism | |
| Conciliatory | Demobilize and ask for debt relief | Privatize businesses |
| | Sell assets overseas | Encourage capital to stay |
| | Take Kuwait to an international organization arbitrator | Use army for public goods creation |
| | Stop arms purchases | Allow regional autonomy |

We can clarify his options by examining the state of the Iraqi economy and the available policy implementation tools remaining to Saddam. It is immediately apparent that none of the domestic options would have been likely to generate the payoffs necessary for the regime to stay afloat and that they also might endanger Saddam's domestic power base.

Of the international options, some of the more conciliatory choices had already been used to little effect or closed out. Iraqi arms purchases ceased, but only because Iraq had defaulted on many previous promises to pay. Iraq had only one asset that was salable overseas, and that was oil. Oil prices, however, were low, and the Iraqi oil production infrastructure was in poor and declining condition. It was unlikely that Iraq could increase oil production, and Saddam's grip on power made foreign investors unwilling to risk large investments that could be expropriated.

The aggressive international options were all that remained. Only one option contained a payoff high enough to merit its high risk, and Iraq still possessed the capabilities to make the policy feasible. This option was to invade and hold Kuwait. The end of Kuwait as a state would immediately cancel billions in Iraqi debt, and the overseas holdings of the Kuwaiti state exceeded \$100 billion at the time of the invasion. In addition, Iraq would control a far larger fraction of proven world oil reserves and would have more bargaining power in the Organization of Petroleum Exporting Countries (OPEC) to keep prices high. So this policy option contained a short-term fix for Iraq's financial crisis and the long-term potential for substantial returns.

Of course, Saddam ran a significant risk. The West might respond and

defend Kuwait or even evict Iraqi troops from Kuwait. Presumably, Saddam believed that there was some chance that the West would not intervene. Preemptive action by the West assuring that a response was certain would have closed out the invasion option. Other policy options chosen to support the invasion choice included threatening Israel, which cost Iraq little and had at least a small chance of increasing the odds of holding on to Kuwait.

Additionally, the choice of an invasion was also conditioned by the fact that by the end of 1990, the military was the only functional part of the Iraqi government apparatus. There was no private sector to plunder, and the army could do little domestically to rescue Iraq from financial ruin. If Saddam had demobilized the army he would have reduced his political support, since these troops would be unemployed and likely to incite public unrest. The combination of increasing losses led Saddam to adopt a high-risk strategy—the only option that could recoup his losses and had a chance of success—occupation and annexation of Kuwait.

This raises the question of whether any deterrent action would have been successful. Saddam was sometimes portrayed as unstable or irrational, and therefore might not be deterrable. This, however, seems extreme. Iraqi policy appears rational given the circumstances and set of options available. If there had been incontrovertible proof that an invasion of Kuwait would not be allowed to stand, no full-scale invasion would have taken place. An American blocking force might have been probed by Iraqi units and some cross-border incidents would almost certainly have occurred; however, the invasion would have been prevented.

Overview of the Conflict

The U.S.-Iraq relationship may be divided into four periods: Reagan's policy during the Iran-Iraq War, the period after the gas attacks on Iraqi Kurds, the Bush strategy of accommodation, and Bush foreign policy through the invasion of Kuwait.¹⁵

For this study, the first period, covering American foreign policy during the Iran-Iraq War, does not impact the research question. The second period, however, begins the story when support for Iraq began to contravene American interests as well as treaties the United States had signed. The United States had supported Iraq in the war with Iran and viewed Iraqi power as a counterbalance to radical Iranian policy. However, support for Iraq was subordinated to the overall goals of American Middle East policy: regional stability and free-flowing oil. At times, however, American support for Iraq continued in the face of growing evidence that Iraq was becoming an obstacle to attaining these goals.

The controversy surrounding Iraqi involvement in the BNL loan scandal did not change the Bush administration's support for Iraq. In fact, after Congress placed Iraq on the list of countries that supported terrorism, President Bush granted Iraq a waiver "in the interests of national security" to receive loan guarantees as well as support from the Export-Import Bank. The administration could easily have signaled Iraq that its support was not unqualified at this point and blamed Congress. A shift toward containment and support for the moderate Arab states, including Kuwait, might have signaled a shift in American policy toward maintaining the regional status quo. The United States continued a policy of engagement with Iraq instead of taking a more aggressive and proactive stand that might have demonstrated that the United States would preserve the status quo.

Events Preceding the Invasion

The initial phase of the Gulf War began on June 26, 1990.¹⁶ On that date Saddam sent a personal message to the emir of Kuwait demanding that Kuwait reduce its oil production since overproduction had lowered oil prices substantially. This meant lower revenue for Iraq, which was already laden with debt from the war with Iran. The message also criticized the United Arab Emirates and OPEC, and stated that \$25 per barrel was a reasonable price for oil. By July 10, 1990, the Gulf States agreed to a Saudi proposal to reduce oil production and set a target price of \$18 per barrel. World market oil prices were \$14 per barrel at this time.

Unsatisfied with this proposal, Iraq wrote a letter to the Arab League accusing Kuwait of stealing oil from the contested Rumaila oil field. The letter also accused Kuwait of building military installations on Iraqi territory. In a speech the next day, Saddam threatened to use force against Arab states that were overproducing oil. On July 21 two Iraqi armored divisions were moved toward the Kuwaiti border.

As tensions mounted during July, the United States issued a statement in support of the Gulf States and placed American military forces in the region on alert, but made no move to station troops in the region. On July 23 Egyptian President Hosni Mubarak hosted a meeting with Jordan's King Hussein and Iraqi Foreign Minister Tariq Aziz in an attempt to start a negotiation process to resolve the situation. Later in the month Mubarak traveled to Kuwait, Iraq, and Saudi Arabia hoping to diffuse the crisis; however, the Iraqi position remained unchanged.

Next, the infamous meeting between Ambassador Glaspie, Foreign Minister Aziz, and Saddam took place in Baghdad. The Iraqis expressed their position that Kuwait was stealing Iraqi oil and waging economic warfare on Iraq, keeping oil prices low by overproduction. Saddam also ex-

pressed concern over deployments of U.S. Navy ships to the region. The ambassador's response that the United States had "no opinion on the Arab-Arab conflicts, like your border disagreement with Kuwait" was seen by some as permission to invade Kuwait.¹⁷ However, the ongoing American military response and statements by American President Bush clearly indicated that the United States had some interest in maintaining peace in the region. At the very least, Saddam could be sure that there was some chance that the West would not intervene if Iraq invaded Kuwait.

By the end of July, over 100,000 Iraqi troops were massed along the Kuwait border. There were no further official contacts between the United States and Iraq, though Iraq and Kuwait continued talks concerning the status of Iraqi debts to Kuwait. No agreement was reached, and on the evening of August 1, 1,800 Iraqi tanks and 140,000 Iraqi troops crossed the border.¹⁸ By nightfall on August 2, Kuwait was occupied by Iraqi troops.

Desert Shield

The United States immediately condemned the invasion, ordered an embargo on all Iraqi commerce, and froze both Kuwaiti and Iraqi assets in the United States. Most Western European countries immediately followed suit and the Soviet Union halted all arms transfers, effectively isolating Saddam. Iran also demanded the immediate withdrawal of Iraqi troops from Kuwait, and Israel announced that any movement by Iraqi troops into Jordan would be met with an immediate military response. Within twenty-four hours of occupying Kuwait, Iraq stood alone.

Apparently unaffected by these reactions, Saddam moved 60,000 troops further south toward the Saudi Arabian border on August 3. This move drew increased threats from the West, and President Bush warned Iraq that protecting the territorial integrity of Saudi Arabia was vital to American interests. The Arab League issued a statement on the same day demanding that Iraq withdraw from Kuwait.

Over the next few days, Saudi Arabia mobilized its military and China and Japan joined the arms and economic embargoes against Iraq. On August 6 the UN Security Council passed Resolution 660, which imposed a global trade embargo on Iraq. That same day Saddam met with the senior American diplomat in Baghdad and stated that Iraqi forces would remain in Kuwait. On August 7 the first American troops left for Saudi Arabia. The next day Saddam announced that Iraq had annexed Kuwait. On August 8 the United Nations declared this annexation null and void, and most nations continued to recognize the Kuwaiti government in exile.

Over the next few weeks, a coalition to protect Saudi Arabia and threaten Iraq was built under American leadership. Egypt played a critical

role in rallying Arab support, and on August 11 the first Egyptian troops arrived in Saudi Arabia. These troops were soon followed by contingents from Syria and Pakistan. On August 22 Bush recalled thousands of reservists to active duty in connection with Operation Desert Shield. European Union members began plans to support the American operations in the Gulf, and on August 21 dispatched a group of naval vessels to enforce the embargo against Iraq.

During this period Saddam made no offers to get out of Kuwait. The Iraqi military presence in Kuwait was increased and these troops prepared to defend Kuwait from an attack. On August 26 Saudi Arabia announced plans to increase oil production, making up for the shortfall left by the embargo on Iraqi oil exports. OPEC, in a meeting later in August, raised production quotas, effectively reallocating the Iraqi quota to other OPEC members. World oil prices continued to rise and reached \$40 a barrel by early October.

American efforts to forge a coalition to contribute troops and funds to remove Iraqi troops from Kuwait continued throughout September. Financial contributions from Kuwait and Saudi Arabia totaling several billion dollars were soon made, and troop commitments were sought from the United Kingdom and France. Japan offered \$4 billion in military and economic aid to the coalition.

In response to the growing coalition arrayed against him, Saddam, on September 23, threatened to destroy well heads and oil fields in Kuwait and Saudi Arabia and attack Israel if the embargo against Iraq was not lifted. The United Nations responded by extending the embargo against Iraq with Security Council Resolution 670, and Syria and Iran issued statements in support of American operations in the Gulf against Iraq.

The U.S. Congress voted to support President Bush's Gulf policy in early October. During the rest of the month, increased arms shipments were made to the Gulf States and political support mounted for military operations to remove Iraqi troops from Kuwait. Iraqi troops in Kuwait remained on alert in expectation of a U.S.-led invasion, and on November 3 Saddam issued a statement that any resolution of the Gulf crisis that returned Kuwait to its former rulers would not be acceptable.

Additional coalition troops were deployed to Saudi Arabia by November, including 15,000 troops from Syria and 200,000 additional American troops. This deployment brought the total number of American troops in the area to 430,000. American and Saudi troops performed joint exercises, and statements issued in various coalition capitals indicated an increased willingness to use force to resolve the crisis. Iraq deployed an additional 250,000 troops to counter the building strength of coalition forces during the month. On November 29 the UN Security Council passed Resolution 678, which called on member states to "use all necessary means" to resolve

the situation unless Iraq withdrew from Kuwait by January 15, 1991. This set the stage for Operation Desert Storm. Iraq rejected this resolution on November 30.

During December the crisis continued to simmer. Saudi Arabia canceled \$4 billion in Egyptian debts in response to Egypt's strong support against Iraq. Overtures to Iraq for a meeting between Saddam and American Secretary of State James Baker III were rejected. By December 13 the last American "detainees" in Iraq were released, and the use of hostages as human shields ceased. Iraq recalled its personnel from most Western countries, and on December 22 designated Tel Aviv the next target for the Iraqi military. On December 24 Israel promised massive retaliation in response to Iraqi threats.

The coalition's military buildup continued through January, and on January 8 Bush requested congressional permission to use force in the Gulf against Iraq. On January 12 the U.S. Congress authorized the president to use the military in the Gulf pursuant to the War Powers Act and in accordance with UN Resolution 678. The UN deadline for Iraq to withdraw from Kuwait passed quietly on January 15. Massive coalition bombing of Iraqi military targets began on January 17, and the stated aim of coalition policy was the liberation of Kuwait and the removal of Iraqi weapons of mass destruction. Iraq responded by launching Scud surface-to-surface missiles against Israel and Saudi Arabia in late January. On January 22 Iraqi troops set fire to Kuwaiti oil refineries and oil fields and released crude oil into the Gulf. Over 9,000 air sorties were flown by coalition planes by January 21, causing heavy damage to Iraqi forces in and around Kuwait. Most of Iraq's air force fled to Iran.

Border clashes between Iraqi and coalition forces occurred during early February, and the damage to Iraqi forces caused by coalition air power continued to mount. Iraqi casualties were estimated at 20,000 dead and 60,000 wounded while coalition losses were minimal. President Bush delivered an ultimatum to Iraq on February 22 that demanded the immediate withdrawal from Kuwait of all Iraqi forces. The Iraqi response was to ignite more oil well fires. At 8:00 P.M. February 23, Bush ordered the U.S.-led forces in the Gulf—now numbering over 270,000 combat troops—to begin operations to liberate Kuwait.

The Ground War

During the next four days the "one hundred hour war" was fought. Iraqi troops offered sporadic and uncoordinated resistance and proved no match for the modern tanks, air power, and accurate intelligence of the coalition forces. Iraq did continue to fire Scud missiles at targets in Saudi Arabia,

killing twenty-eight American troops in a barracks in Dhahran on February 25.

On February 27 President Bush announced that Kuwait had been liberated. Coalition forces continued to destroy Iraqi military targets and accept surrenders from Iraqi soldiers. On March 3 Iraq accepted UN terms for a cease-fire and asked that the trade embargo be lifted. Also on that day Iraq canceled its annexation of Kuwait and released all remaining coalition prisoners of war. Domestic unrest in Iraq began to spread during March. Coalition forces eventually protected rebel Kurds in northern Iraq and Shi'ites in southern Iraq from air attack.

On March 14 the emir of Kuwait, Jabir al-Ahmad al-Sabah, returned to Kuwait. By this time most captured Kuwaiti citizens had been returned home, and the process of rebuilding Kuwait, dousing oil fires, and assessing the impact of the war on the economy and the environment had begun. While internal conflict continued in Iraq during this period, American forces did little to aid rebel factions, though American policy was to encourage the Iraqi people to overthrow Saddam.

The UN Security Council passed Resolution 687 on April 3, 1991, which dictated final surrender terms requiring Iraq to recognize the previous border, destroy its weapons of mass destruction, and pay reparations. Three days later Iraq accepted these terms and effectively ended the Gulf War. By the end of June 1991, the last coalition ground forces had withdrawn from Kuwait and Saudi Arabia. No-fly zones enforced by coalition air power remained in effect in northern Iraq to protect the Kurds and in southern Iraq to protect the Shi'ites.

Aftermath

A review of American foreign policy immediately prior to the invasion shows no signal to Iraq that the United States would definitely intervene to defend Kuwait. Laying the blame on Ambassador Gaspie ignores the fact that the United States had given no indication that policy had changed, and Gaspie's actions were simply in line with the extant, stated American position. At any of several points a strong American statement of intentions in the region or even of American goals or preferences might have deterred the invasion of Kuwait. When it seemed that such an invasion was imminent, a trip wire force of American troops would also have prevented an invasion. This trip wire strategy is one of many actions that would have sent a clear signal to Iraq that maintenance of the borders as they existed was the goal of American policy.

Costs of the Conflict to International Actors

Military Costs

The cost of removing Iraq from Kuwait totaled \$61.1 billion. Of this total, \$53.8 billion was paid by American allies, including \$16 billion each from Saudi Arabia and Kuwait, \$6.5 billion from Germany, \$4 billion from the United Arab Emirates, and \$10 billion from Japan.¹⁹ The United States paid \$7.3 billion, and the rest came from other Arab and Western nations.²⁰ Subtracting the Kuwaiti contribution makes the total external military cost of this conflict \$45.1 billion.

Other Direct Economic Costs

A study commissioned after the Gulf War by the Arab Monetary Fund estimated that the regional cost of the conflict, including assets destruction, trade losses, increased defense expenditures, and so on, was \$676 billion.²¹ Others have estimated the economic impact at \$438 billion.²² These sums do not include costs borne by nations outside the Middle East. Costs were partially offset by increased OPEC revenue due to higher oil prices. This is estimated at \$54.3 billion for Middle East states.²³ This makes total regional economic losses approximately \$384 billion. From this amount, the losses from the two combatants—Iraq and Kuwait—are subtracted, leaving an external, regional cost of \$24 billion. The estimates presented below, country by country, generate a more comprehensive, yet conservative, estimate. Also included are economic losses to states outside the region.

The United States

The United States absorbed costs other than military expenditures due to the Gulf War. Oil prices increased dramatically during the crisis period. Since oil is a vital part of the American economy, an increase in its price tends to slow economic growth and increase inflation. Oil price increases due to the crisis are estimated to have cost the U.S. economy \$29–\$30 billion for 1990–91.²⁴

Egypt

Egypt, a critical American ally in the Gulf War, received some benefits as well as incurring costs. The most important benefit to Egypt was the cancellation of external debt. This included \$6.7 billion in debts owed to

the United States for military equipment. Other nations who canceled Egyptian debts include Germany (\$2.5 billion), France (\$2.8 billion), the Gulf States (\$6.6 billion), and Finland (\$78 million). Altogether, the West forgave nearly \$25 billion that Egypt owed. While this was good for Egypt, this was a cost to the West and counts as a necessary price incurred to create and maintain the coalition that drove Iraqi forces out of Kuwait.

Egypt also received additional economic and development aid, including \$1.5 billion from Saudi Arabia. France and Germany added over \$1 billion in new aid tied to the Gulf War. There is no reason to believe that any of this money would have been granted to Egypt without the need for Egyptian support against Iraq. So while Egypt gained, the West paid over \$27 billion to get and keep Egypt in the coalition.²⁵

Losses Egypt incurred include the lost remittances from Egyptian workers in the Gulf States as well as the cost of sending troops to the theater. This total was approximately \$1 billion.²⁶ In addition, Egypt lost \$0.5 billion in revenue from the Suez Canal, since ship traffic decreased during the war, and \$1.25 billion in tourism revenue.²⁷ Even considering debt cancellation and economic aid as internal transfers between coalition partners and therefore not as net costs, Egypt still sustained at least \$3.75 billion in economic losses from the Gulf War.

Jordan

The Jordanian economy was severely damaged by the war. Over 500,000 Palestinians, most of whom held Jordanian passports and remitted money to family members in Jordan, were made homeless and unemployed by the war. These guest workers also lost their assets in Kuwait and are unlikely to ever recover them. This, as well as the embargo against Iraq, which was Jordan's primary supplier of petroleum products, nearly crippled the Jordanian economy.²⁸

Jordan was also forced to write off loans to Iraq that totaled nearly \$1 billion.²⁹ In addition to this debt write-off, Jordan estimated that the Gulf War cost \$3 billion, largely through disruption of trade and tourism.³⁰ Total Jordanian losses totaled \$4 billion net of assistance from other nations.

Turkey

No Iraqi neighbor escaped incurring large costs associated with the Gulf War. Turkey, an American NATO ally, did not send troops to the Gulf, although the Turkish army deployed more than 100,000 troops and several Turkish air force squadrons to the Iraqi border. Iraq left nine divisions of their troops on the border to counter any possible Turkish move. This

meant that fewer Iraqi divisions were available to resist coalition forces. The cost to Turkey for this deployment, other actions taken to support the coalition, reduced exports, and the costs incurred by the government due to higher oil prices were estimated by the Turkish government to be \$10 billion. Turkey also absorbed over 200,000 refugees from Iraq, largely as a result of fighting between Kurdish separatists and Iraqi troops.³¹ Even counting American support for Turkey during this period, as well as using a more conservative estimation technique, still leaves Turkey with a \$4 billion bill for the conflict.³² In addition to this bill, Iraq also seized \$1.5 billion in Turkish assets in Iraq³³ and defaulted on \$1 billion in loans owed to Turkey.³⁴ This brings Turkey's cost for the Gulf War to \$6.5 billion.

Japan

Japan paid over \$9 billion for Gulf War operations that is counted in the military costs noted above.³⁵ However, in addition to that amount, Japan also made an additional \$2 billion in "soft" loans to Turkey, Jordan, and Egypt. These loans were not expected to be nor ever were repaid.

Saudi Arabia

Saudi Arabian estimates of the Gulf War cost reached \$64 billion in military costs, asset destruction, in-kind payments of fuel, lost trade, and other costs. That figure does not include the cost of additional arms purchases—approximately \$20 billion—but does include the billions paid to the United States and counted in the military cost above.³⁶ Therefore the Saudi Arabian cost for this conflict can conservatively be estimated at \$64 billion, less the \$16 billion contributed to the United States and counted above, for a total of \$48 billion.

Iraqi Debt

The West was forced to write off Iraqi debt of between \$30 and \$40 billion. Arab states wrote off an additional \$30–\$40 billion over and above the amounts given above.³⁷ At a minimum, this is an additional \$60 billion cost from the Gulf War.³⁸

Other States

The Gulf states employed a large number of Pakistani workers prior to the Gulf War. Most of these workers were concentrated in Iraq and Kuwait and were unable to work during and after the crisis. The loss of these remittances is estimated to have cost the Pakistani economy in excess of

\$500 million. Also, oil price increases due to the conflict cost Pakistan an additional \$600 million. This brings the Pakistani Gulf War cost to \$1.1 billion. Costs to India from the Gulf War were similar.³⁹ Estimated Gulf War economic losses for other nations not mentioned above are reported in table 6.2.

Spillover Effects and Asset Losses

The Gulf War also caused severe environmental damage in the region. Oil spills polluted the Gulf waters, and oil fires set by retreating Iraqi troops poisoned the air. Damage from these events spread from Eastern Europe to India, where acid rain from the oil fires damaged crops. The cost of cleaning up the oil spills was over \$2.5 billion.⁴⁰ Estimates of additional damage are not available.

Total Costs

Table 6.3 summarizes the cost of the Gulf War to external actors. The most conservative estimates are presented and the actual costs were almost certainly far greater. Internal transfers between coalition partners are not included. Direct economic costs are net of military costs and include offsets for increased oil revenue where applicable. Table 6.4 summarizes the cost to the West only and includes costs of debt write-offs for non-Western coalition partners.

Estimated Costs of Preventive Action

The West had a clear signal that Iraq was preparing a military strike in May 1990. An early intervention in the Gulf at this point would have looked much like the British intervention in Iraq-Kuwait relations in 1961, and

TABLE 6.2
Estimated Gulf War Losses (\$U.S. Billions)

| | |
|----------------------|------------|
| United Arab Emirates | 4.0 |
| Yemen | 1.5 |
| Morocco | 1.0 |
| Other Arab nations | 2.0 |
| TOTAL | 8.5 |

Source: Ibrahim M. Oweiss, "The Economic Impact of the War," in *The Gulf Crisis: Background and Consequences*, ed. Ibrahim M. Oweiss (Washington, D.C.: Center for Contemporary Arab Studies, 1991), 296.

TABLE 6.3
Costs of the Gulf War to the International Community (\$U.S. Billions)

| Type | Amount |
|------------------------------------|---------------|
| Military costs | 45.10 |
| Direct economic losses: | |
| United States | 29.00 |
| Egypt | 3.75 |
| Jordan | 4.00 |
| Turkey | 6.50 |
| Saudi Arabia | 48.00 |
| Iraqi debt write-offs: | |
| Middle Eastern states | 30.00 |
| Western nations | 30.00 |
| Losses to other non-Western states | 10.70 |
| Cost of environmental damage | 2.50 |
| TOTAL | 209.55 |

Sources: Lawrence Freedman and Efraim Karsh, *The Gulf Conflict: 1990–1991* (Princeton: Princeton University Press, 1993). Youssef M. Ibrahim, "Gulf War Is Said to Have Cost the Region \$676 Billion in 1990–91," *New York Times* (April 25, 1993), 7. K. S. Ramachandran, *Gulf War and Environmental Problems* (New Delhi: Ashish Publishing, 1991), 30. David R. Henderson, "The Myth of Saddam's Oil Stranglehold," in *American Entangled*, ed. T. G. Carpenter (Washington, D.C.: Cato Institute, 1992). Yoram Meital, "Egypt in the Gulf Crisis," in *Iraq's Road to War*, ed. Amatzia Baram and Barry Rubin (New York: St. Martin's Press, 1993), 191–99. Ibrahim M. Oweiss, "The Economic Impact of the War," in *The Gulf Crisis: Background and Consequences*, ed. Ibrahim M. Oweiss (Washington, D.C.: Center for Contemporary Arab Studies, 1991), 296. Hisham H. Ahmed, "The Impact of the Gulf Crisis on Jordan's Economic Infrastructure," *Arab Studies Quarterly* 15 (Fall 1993): 33. Joseph Nevo, "Jordan's Relations with Iraq: Ally or Victim?" in *Iraq's Road to War*, ed. Baram and Rubin. Mustafa B. Hamarneh, "Jordan Responds to the Gulf Crisis," in *Beyond the Storm*, ed. Phyllis Bennis and Michel Moushabeck (New York: Olive Branch Press, 1991), 228–29. David Kushner, "Turkey: Iraq's European Neighbor," in *Iraq's Road to War*, ed. Baram and Rubin (New York: St. Martin's Press, 1993), 213–17.

would have been far less costly than the actual operation to evict Iraq from Kuwait. After the British protectorate of Kuwait ended in 1961, the Iraqi dictator, 'Abd al-Karim Qasim, quickly prepared an invasion force to occupy Kuwait. The United Kingdom dispatched a small force to guard the border, and this deterred the Iraqi invasion. This force was soon withdrawn after having made the point that the United Kingdom was prepared to defend the border.⁴¹

A force deployed in May 1990 would have unequivocally signaled the West's intention to maintain the status quo in the region and cost far less than the actual operations. Using the intervention in Somalia as a tem-

TABLE 6.4
Costs of the Gulf War to the West (\$U.S. Billions)

| Type | Amount |
|------------------------------------|------------|
| Military costs | 25 |
| Direct economic losses: | |
| United States | 29 |
| Western debt relief to Egypt | 25 |
| Support for Turkey | 3 |
| Japanese loans to coalition states | 2 |
| Iraqi debt write-offs | 30 |
| Total cost to the West | 114 |

Sources: Ibrahim M. Oweiss, "The Economic Impact of the War," in *The Gulf Crisis: Background and Consequences*, ed. Ibrahim M. Oweiss (Washington, D.C.: Center for Contemporary Arab Studies, 1991). Amatzia Baram and Barry Rubin, eds., *Iraq's Road to War* (New York: St. Martin's Press, 1993). Micah L. Sifry and Christopher Cerf, eds., *The Gulf War Reader* (New York: Times Books, 1991). Les Aspin, *The Aspin Papers: Sanctions, Diplomacy, and the War in the Persian Gulf* (Washington, D.C.: Center for Strategic and International Studies, 1991).

plate, a blocking force of 20,000–30,000 troops would have cost approximately \$4 billion for a deployment lasting 18–24 months. This ground force would need to be augmented by either ground- or naval-based air forces, which would have cost an additional \$500 million to \$1 billion for the mission duration.

Compared with the actual cost of allowing Iraq to occupy Kuwait, the cost for this type of force seems easily justified. It is also possible that a smaller force could have been used and that Kuwait might have paid at least part of this cost.

The second intervention point came in July 1990. While this would have left little time for an American or coalition response, a trip wire force could have been landed and would also have deterred Saddam. A rapid reaction force of approximately 5,000 men could have been quickly deployed and supported with pre-positioned equipment in the area and from Diego Garcia. This force would have been supported by naval aircraft already in the region and by land-based bombers from Europe and Guam.⁴²

This type of deployment, while rushed and less well equipped than the eventual forces used in Desert Storm, would still have served as a clear signal that Iraq would not be allowed to take Kuwait. Iraq might have probed these defenses and some skirmishes would likely have occurred, thus increasing the cost, but also increasing the clarity of the signal that this border was sacrosanct. The cost of such an initial deployment, its augmentation by both air and ground units, and its extended presence in the

region might have cost \$10 billion. Even if this force was tripled by bringing in troops from Europe, and supported by a large-scale naval and marine presence, the cost would not have exceeded \$30 billion, even in an extended deployment.

Either early intervention scenario contains significant cost savings for the West as well as the Middle East region. While it might have been difficult to implement a preemption strategy in this case, even assembling the force and having it ready at a moment's notice for deployment on the eve of the invasion would likely have generated significant cost savings. Intervention in May or July and a continued Western presence would have been the most cost-effective option, saving the West nearly \$100 billion.

Conclusions

Intervention in the Persian Gulf cost the West a staggering sum. In an area of such vital economic and political interest, it seems to have been money well spent. However, equal or superior results could have been achieved by a strategy of conflict preemption.

The West knew well in advance that a conflict was likely to start, and even given the powerful forces urging Saddam to strike, there would have been no possible payoff to Iraq for an invasion if the West's response had been assured. While this raises the problem of how best to clearly signal potential opponents in the noisy environment of international relations, some tactics work better than others. When nations station troops on a border, including nations under a nuclear "umbrella," and when they sign formal alliance treaties, they signal their readiness to enter a conflict. A demonstrated commitment to intervention and preemption in regional conflict is another way to make sure signals are clear.

A deployment of Western troops with firm backing from the United States would have sent an unequivocal signal. Saddam based his gamble on the chance that the West would not respond with a policy of restoring the status quo. Ensuring the clarity of Western intentions in the area might have been expensive, but far less costly than the Gulf War. This case supports the hypothesis that early preventive efforts are cost-effective and negates the null hypothesis that early action does not generate savings.

This case also provides important foreign policy lessons that may be applied to other situations. The small force on the Macedonia-Yugoslavia border has kept the Balkan conflict from spreading by providing a clear signal that the West will fight to maintain that border. Small contingents of UN troops have also kept the peace in Cyprus, and the American commitment to South Korea has kept the peace for forty-five years.

In conclusion, while clear signaling may be difficult and expensive, the

expense of misunderstood intentions is far more costly. The \$10 billion or even \$30 billion cost of signaling Iraq that an invasion of Kuwait would not be allowed to stand seems paltry compared with the actual cost of the Gulf War.