

# Bush, Blair haggle over Iraq war spoils

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US President George Bush and British Prime Minister Tony Blair began a two-day summit in Northern Ireland Monday, with the division of the spoils of war the main item on the agenda.

A bitter dispute is opening up between the US administration, on the one side, and both of its “coalition allies” as well as those European powers that opposed the war—France, Germany, Russia—on the other, over the makeup of an occupation regime that is to be created in the wake of the US-led invasion of Iraq.

The meeting is the third war summit in as many weeks between the two major powers that launched the assault on Iraq. There were also talks last week between Secretary of State Colin Powell and British Foreign Minister Jack Straw in Brussels, while other British officials have traveled to Washington to make their concerns known. Tensions have escalated in the wake of US decisions to award no-bid Iraqi reconstruction contracts exclusively to politically connected American firms.

Ironically, the dispute over the need for UN approval that dominated the increasingly bitter relations between Europe and America in the run-up to the US invasion has reemerged in relation to plans for a postwar regime in Iraq. Just as before, Washington would like some form of UN sanction for its colonialist enterprise. At the same time, US officials have repeatedly declared that the Bush administration has no intention of ceding to anyone what the US military has seized by force.

“We didn’t take on this huge burden with our coalition partners not to have a significant dominating control over how it unfolds in the future,” Secretary of State Colin Powell told a congressional committee hearing late last month. “We would not support ...essentially handing everything over to the United Nations for someone designated by the UN to suddenly become in charge of this whole operation,” he added.

The US wants nothing more from the UN than a fig leaf of international legitimacy for its occupation, as well as funds from the oil-for-food program that was in place before the war and other humanitarian resources.

London, however, wants the UN to play a direct role in the so-called interim authority that will rule the occupied country until the US and Britain are able to cobble together an Iraqi puppet regime. It sees such an international check on US power as the best means of assuring that British big business gets its “fair share” of the booty from the Iraq war.

A key factor in Washington’s determination to block a predominant UN role in Iraqi reconstruction is the determination of the Bush administration and the financial interests that it represents to carry out the privatization of Iraq’s oil industry and effectively transfer its control to US-based energy corporations.

The intentions regarding Iraqi oil were spelled out recently by the neoconservative magazine *National Interest*, which includes on its editorial board both former Secretary of State Henry Kissinger and Richard Perle, the key Pentagon advisor and architect of the Iraq war plan who was recently forced to resign his post as chairman of the Defense Policy Board amid swirling conflict-of-interest charges.

The magazine argues for “the reintegration of Iraq’s oil industry into the global marketplace” as a means of offering “numerous opportunities for the region and the world.” It goes on to predict that the privatization of

Iraq’s oil assets would serve “as a model for privatizations by other OPEC members, thereby weakening the cartel’s domination of the energy market.” The task of the US in Iraq, it adds, is to “offer its guidance on establishing sound economic and trade policies.”

In other words, unhindered US dominance over Iraq, which contains the world’s second largest proven oil reserves, should serve as the stepping stone to asserting the kind of imperialist stranglehold on the region’s oil supplies that has not existed since the days of European colonialism. The biggest winners under this scenario would be Western firms like Exxon, Mobil, BP and Royal Dutch/Shell, which would all likely carve out concessions in the Iraqi oil fields.

It is questionable whether the US will be able to secure UN approval for such a project. Both France and Russia had significant deals with Iraq’s state oil company for the development of large new petroleum fields once economic sanctions were lifted. Privatization would mean the definitive abrogation of these deals.

The Security Council’s current president, Adolfo Aguilar Zinser of Mexico, told reporters at the UN that “the council must make an effort to preserve ... Iraq’s sovereignty over its oil.” Mexico has one of the world’s largest state-owned oil industries.

Both UN and British officials have questioned the legality of a US occupation regime seizing and selling Iraqi oil on the world market without first securing the approval of the Security Council. Iraq’s oil exports are strictly limited by UN sanctions imposed at Washington’s demand following the 1991 Gulf War.

There are ample indications, however, that the Bush administration is prepared to ignore these legalities and assert its right as an occupying power to exploit the oil, while claiming that it is doing so to assist the Iraqi people. “Iraq is a wealthy nation,” White House spokesman Ari Fleischer said recently when asked about reconstruction costs. “Unlike Afghanistan, for example, Iraq will have a huge financial base from within upon which to draw. And that’s because of their oil wealth.”

Government sources report that the administration has tapped former Shell Oil Co. chief executive Philip J. Carroll to run the country’s oil industry, reporting to retired US Army Lt. Gen. Jay Garner, who is to head a new Office of Reconstruction and Humanitarian Assistance controlled by the Pentagon. The latter office constitutes an occupation government under the direct control of the US senior military commander in Iraq, General Tommy Franks.

Deputy Defense Secretary Paul Wolfowitz, referred to sarcastically within government circles as “Wolfowitz of Arabia” for his prominent role in promoting the invasion of Iraq and crafting the plans for an occupation government, has tapped his aides to run key industries and regions of the country. He has also had elements of the Iraqi National Congress, the US-backed exile group headed by convicted embezzler Ahmad Chalabi, flown into southern Iraq with the aim of lending the occupation regime an “Iraqi face.”

The aim is to keep tight US control over the occupation to ensure that Iraq’s oil resources can be plundered to pay for lucrative contracts with American corporations to rebuild what has been destroyed by US missiles or degraded by more than a decade of economic sanctions imposed at

Washington's demand.

There have been extensive discussions between the administration, the oil industry and selected Iraqi opposition groups under the auspices of the State Department's "Future of Iraq" project. Part of the US proposal, according to participants in these meetings, is that US-occupied Iraq remain a member of the Organization of Petroleum Exporting Countries (OPEC), but that it not accept any limits on its oil production. This arrangement would give Washington immense influence in setting the price of oil on the international market.

The Bush administration's initial request for an appropriation to cover the costs of the war makes clear that Washington intends to make Iraq pay for its own reconstruction. Out of the nearly \$75 billion requested, less than \$2.45 billion is earmarked for humanitarian operations and reconstruction inside the devastated country. The same package offers nearly four times that amount to "supportive countries," including Israel, Jordan, Turkey and Pakistan to cover any adverse economic impact from the conflict.

Conservative estimates of reconstruction costs have begun at \$100 billion.

While the proposals for Iraq have been touted as the biggest international effort since the post-World War II Marshall Plan, the plans for reconstruction are already mired in charges of corruption and profiteering aimed at benefiting the corporate elite in whose behalf Bush governs.

Those companies that have been awarded contracts thus far enjoy intimate political connections to the Republican Party. The first is Seattle-based Stevedoring Services of America (SSA), which was awarded a lucrative contract to operate the Iraqi port of Umm Qasr. The right-wing firm is known for its union-busting and its ties to the Republican Party, which has been the recipient of 80 percent of SSA's campaign contributions.

Another such firm is Houston-based Halliburton, whose subsidiary, Kellogg, Brown & Root (KBR), was awarded a no-bid contract by the Pentagon to organize oil well fire-fighting and rehabilitation efforts in Iraq. The deal is open-ended, with no limits in terms of duration or cost.

Dick Cheney was Halliburton's CEO for five years before quitting to accept the Republican Party's vice presidential nomination in August 2000. He netted \$30 million by cashing in his Halliburton stock options, and the company continues to pay him as much as \$1 million a year in deferred compensation.

Between 1999 and 2002, Halliburton made \$709,320 in political contributions, 95 percent of the money going to the Republican Party.

Halliburton was one of a handful of US firms invited to submit proposals on up to \$600 million in reconstruction work in Iraq that includes the rebuilding of bridges, highways and other infrastructure over the course of 21 months.

The other firms include Bechtel Group, which counts former Reagan administration Secretary of State George Shultz and Defense Secretary Caspar Weinberger among its principals, and Fluor Corp., where Philip Carroll, the former Shell executive who will reportedly run Iraq's oil industry, also served a CEO. Also in the running are Parsons Corp., Louis Berger Group and Washington Group International.

Together, the companies and their leading executives made some \$3.5 million in political contributions during the 2000 presidential race, two-thirds of this money going to the Republicans.

Halliburton has pulled out of the competition, apparently in response to growing questions about whether it has received favorable treatment as a result of Cheney's connection.

Rep. Henry Waxman from California, the ranking Democrat on the House Committee for Government Reform, demanded that the Pentagon explain how the initial contract for oil well fire-fighting had been awarded without any competitive bidding or notice to Congress. "The contract," he

added, "...is apparently structured in such a way as to encourage the contractor to increase its costs and, consequently, the costs to the taxpayer."

Halliburton's subsidiary, KBR, however, is still expected to play a massive and immensely lucrative role in occupied Iraq, operating as a preeminent subcontractor, using other firms as a cover to deflect criticism of political bid-rigging stemming from the firm's connection with Cheney. As *Fortune* magazine reported recently, "Texans wearing KBR baseball caps are arriving by the plane-load at Kuwait's airport."

Already, the firm formerly headed by Cheney has been granted military support contracts for the Iraqi invasion, providing food, laundry service and garbage pickup at several military encampments in Kuwait. It is expected to continue this role once US forces settle in as an occupation force in Iraq itself.

The company has also pulled in some \$3 billion so far for providing support services to US troops in the Balkans and recently won an unprecedented 10-year contract to supply similar services to US military bases around the world. These sweetheart contracts are structured on a "cost-plus basis," meaning that KBR is guaranteed to recover its full expenses plus a guaranteed fixed rate of profit. The more it incurs in costs, the greater its profits.

In addition, the company has earned \$33 million building cells for the US concentration camp at Guantanamo Bay, Cuba housing prisoners captured in Afghanistan and elsewhere in the so-called global war on terrorism.

Meanwhile, as *Fortune* noted, KBR project managers are already on the ground in Iraq surveying Iraqi oilfields and even reviewing organizational charts and personnel lists to determine which Iraqi civil servants it can enlist in its profit-making efforts.

Like Halliburton's military contracts, the reconstruction deals in Iraq will be on a cost-plus basis, with profits guaranteed. More importantly, the US companies see these deals as merely the foot in the door, placing them on the ground in Iraq and in a position to benefit from far more lucrative contracts down the road.

The secretive way in which these deals are being made and the administration's entire plan for funding the war in Iraq have sparked disquiet and opposition, even in the usually supine US Congress. The House rejected the administration's unprecedented request that \$2.5 billion in reconstruction funds be appropriated directly to the White House to be spent however the president sees fit.

The House Appropriations Committee's Republican staff prepared a memo warning that the proposal would create "a wall of executive privilege [that] would deny Congress and the Committee access to the management of the fund. Decision-makers determining the allocation ... could not be called as witnesses before hearings, and most fiscal data would be beyond the committee's reach."

Instead, the committee insisted that the funds go to the State Department, which is designated as the agency responsible for foreign assistance. The White House has mounted a pressure campaign, led by Vice President Cheney, to force the House to reverse its action and hand the money over to Bush.

National Security Advisor Condoleezza Rice also spoke out against the Congressional action. "The president asked for the appropriations to be made available ... to the president for distribution," she said.

The European Union last week indicated that it would not participate in any postwar reconstruction without an authorizing resolution from the UN. The unseemly corporate scramble to reap profits off of the devastation that the US military has unleashed in Iraq has provoked growing anger in Europe.

"Iraq is not the protectorate of anyone else," said Christos Protopapas, spokesman for the Greek government. "It does not belong to some who think they can manage it as they like."

The rest of Europe has noted with a combination of concern and bitter satisfaction the predicament of Blair in Britain, who hitched himself to the US war wagon only to see British corporations being shouldered aside in the rush by American big business to get into Iraq. “If not even the poodles get their reward, who’s going to listen to the weasels,” commented the German weekly news magazine *Stern*.

Australia, the only other country to send significant military forces into Iraq, has grown increasingly concerned that it will lose its lucrative market for wheat in the Middle Eastern country. While it had contracted under the oil-for-food program to export one million tons of wheat to Iraq this year, US wheat farmers have expressed keen interest in breaking back into an export market that had been closed to the US since the 1991 Gulf War. Before then, the US supplied nearly half of Iraq’s grain imports.

The recent decision by the Bush administration to send an “emergency” shipment of 600,000 tons of American wheat to Iraq was widely seen as a US attempt to promote the interests of US agribusiness at the expense of its Australian competitor.



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