Washington seeks cover for occupation

US convenes Iraqi council with aim of grabbing oil

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A new "governing council" appointed by Washington's administrator in Baghdad, L. Paul Bremer, has been hailed by the Bush administration as a step toward democracy. However, numerous reports from both the US and Iraq indicate that the real function of this body will be to rubber stamp the privatization of the Middle Eastern country's oil industry and the US expropriation of its earnings for years to come.

The so-called interim government, to consist of approximately 25 individuals hand-picked by Bremer, is to assemble this weekend for a formal swearing-in ceremony. It is to include right-wing, pro-US exiles, led by the convicted bank embezzler Ahmad Chalabi, Washington-backed Kurdish groups, and at least one Shiite Islamic group. The Supreme Council of the Islamic Revolution in Iraq told Bremer that it would not decide until Saturday whether it would participate. Its hesitancy reflects the growing hostility toward the US-British occupation among Iraq's oppressed Shiite majority.

While the council was proposed by Bremer's predecessor, retired General Jay Garner, as a means of lending the occupation an "Iraqi face," Bremer backed off from initial pledges to convene a congress to select members of the body, and insisted that it would be no more than an advisory group. Over the past week, the US proconsul has tried to accommodate the groups and individuals agreeing to participate by affirming that they will "share responsibility" for governing the country, while "final authority" on every decision will rest with the US colonial authorities.

Among the principal concerns of US officials has been to parcel out the seats on the council to members of different ethnic groups and to include some relatively unknown women, apparently with the aim of lending the panel a superficial appearance of being representative. Excluded from the council, however, is anyone voicing opposition to the continued US occupation.

Given the recent deadly attacks by Iraqi resistance fighters on police recruits and others collaborating with the US occupation, however, it is doubtful that the council will have much contact with the Iraqi people. Instead, it will be on the receiving end of a series of US proposals worked out behind the scenes before the US invasion even began.

At a Tuesday press briefing in Baghdad, Bremer spelled out his determination to push through a wholesale privatization of Iraq's oil industry and the rest of its large state-owned sector before Iraqis are given any opportunity to vote for a government or express their attitude toward such sweeping economic changes. He and other US officials have acknowledged that there is widespread popular sentiment against the denationalization of oil and its takeover by foreign-owned multinationals.

"Privatization is obviously something we have been giving a lot of thought to," Bremer said. "When we sit down with the council ... it is going to be on the table."

The US viceroy said that a key concern was that US and other foreign investors would be reluctant to buy out Iraqi oil facilities and other state-owned enterprises without having some legal guarantee that their ownership would not be challenged once a new government is elected.

"The governing council will be able to make statements that could be seen as more binding and the trick will be to figure out how to do this," said the US viceroy. "Everybody knows we cannot wait until there is an elected government here to start economic reform.... The dilemma will be to make changes in such a way that new laws will survive the elected Iraqi government." US officials have warned that it will be anywhere between three and five years before any elected Iraqi government is allowed to take office.

Bremer announced a budget for Iraq covering the second half of 2003, which amounts to $6.1 billion. US plans project that oil revenues will cover $3.45 billion. In May, the United Nations offered its seal of approval to Washington's looting of Iraq's oil wealth. The Security Council approved a US-drafted resolution giving the occupation authority unfettered control over Iraq's oil revenues, which are deposited in a "development fund" run by the US colonial regime.

The remainder of the budget is to be financed with money taken from Iraq's central bank and state enterprises, seized and frozen Iraqi assets in the US and surplus funds from the United Nations oil-for-food program.

These funding streams are hardly secure, however. The oil revenue, for example, is based on a projection that oil production will nearly double by the end of the year from 800,000 barrels per day to 1.5 million. A mounting sabotage campaign, however, has hampered efforts to repair the country's oil facilities and expand production. Resistance fighters have repeatedly struck at pipelines and destroyed key equipment. Two wars and more than a decade of sanctions, moreover, have left the oil industry's infrastructure in an advanced state of disrepair. While Iraq sits on the second largest oil reserves in the world, the country has been compelled to import gasoline and liquefied natural gas in recent weeks to meet domestic needs.

The Bush administration recently submitted a request for another $800 million from Congress to refurbish Iraq's oil industry. This comes on top of $400 million already allocated for that purpose. Given a continuation of the escalating guerrilla war in Iraq, US projections that oil revenues will quadruple over the next year to $14 billion appear highly dubious. Oil industry analysts have predicted that it will take 18 months just to get the Iraqi fields back to prewar production levels.

The balance of the funding is covered by one-shot sources that will not be available when it comes time to put together another budget for the first half of 2004. Concern over how reconstruction costs in Iraq will be covered is rising following the admission by US Defense Secretary Donald Rumsfeld that the cost of the US occupation is estimated at $3.9 billion a month, roughly double what the Pentagon had estimated at the outset of the war. Meanwhile, the Pentagon has also unveiled a series of new multimillion-dollar contracts in Iraq.

One newly announced contract was awarded to the Vinnell Corp., a subsidiary of the arms-making conglomerate Northrop-Grumman. The $48 million deal covers the recruitment and training of a new Iraqi army over the course of one year. The company's web site has already placed a notice seeking former US Army and Marine officers to work in Iraq. Vinnell has long held a contract for training the security forces of the Saudi Arabian monarchy.

The US Army on Thursday invited corporations to bid on contracts for the rebuilding of Iraq's oil industry that will be worth up to $1 billion. These deals will supersede a no-bid contract awarded last March to Kellogg Brown & Root (KBR), a subsidiary of Halliburton, the Texas oil company that Vice President Richard Cheney headed before joining the Republican ticket in the 2000 election. KBR, which has already billed the US government for several hundred million dollars, will bid on the new contract.

The contact will cover not only repairs and maintenance of the oilfields, but also the marketing and sale of Iraqi crude and other petroleum products on the world market.

A proposal aimed at bridging the gap between revenues from Iraq's present oil production and the substantial profits that politically connected US corporations are attempting to reap from the occupation was reported in the *Los Angeles Times* Friday.

The plan would lay claim to Iraq's future oil revenues, putting them up as collateral for loans to finance current reconstruction contracts.

This scheme, which would effectively mortgage Iraq's future and ensure its indefinite subjugation to US-run financial institutions, has the support of both the US Export-Import Bank and a coalition of US multinationals that stand to profit handsomely off the contracts, including Halliburton, Bechtel and Northrop-Grunman. The Export-Import Bank has argued that the UN resolution grants Washington the authority to lay claim to future revenues.

Under the plan, the newspaper reports, "Iraq's future oil and gas revenue would be pledged as collateral to repay loans or bonds issued to finance infrastructure improvements. An Iraq Reconstruction Finance Authority would be established to review projects and arrange financing."

Such an authority would likewise exercise an effective stranglehold over Iraq's political and economic life long after a supposedly independent government is brought to power, assuring Washington strategic control of the country's oil wealth through the enforcement of debt repayment programs.

While critics of the plan argue that Washington has no right to agree to loan conditions that will be imposed upon an Iraqi government that has yet to be formed, its supporters are countering that the participation of Bremer's hand-picked "governing council" legitimizes the plan.

Bremer himself raised this argument, insisting that the US occupation authority "would not undertake anything like that without the governing council agreeing, because you are effectively mortgaging the future income that belongs to the Iraqi people." The obvious implication is that if the council he selected rubber-stamps the scheme, it is endorsed by the Iraqi people.

Opposition to the proposal will undoubtedly be strong from Iraq's existing creditors, who are being asked to wipe out hundreds of billions of dollars in debt to help with the country's reconstruction. Iraq's total debt is estimated at $383 billion, a third of it owed to foreign countries, principally Russia, Kuwait and the other Persian Gulf states. Nearly $200 billion is still owed Kuwait in reparations claims stemming from the 1990 Iraqi invasion.

Bush issued an executive order in May declaring any claims by these creditors on Iraq's oil revenues to be null and void. Such claims, he declared, could disrupt reconstruction and pose "a threat to the national security and foreign policy of the United States." Yet now Washington is considering a plan to lay claim to the country's oil revenues for years, if not decades, to come.

Reflecting growing unease over the US colonialist venture, some establishment critics have also warned that if the US loses control of Iraq, US taxpayers would be left holding the bill for the outstanding loans.

Washington has been sharply criticized for supposedly failing to plan for postwar Iraq and being unprepared to deal with the myriad social problems ranging from looting, to the failure of power, water and sewerage systems and the collapse of public health system.

When it comes to the looting of the country's economy, however, it would appear that there is no shortage of planning or determination. As the *Wall Street Journal* reported in May, the major US consulting firm BearingPoint Inc. was awarded a contract the previous February, well before the war began, to draft a plan for a "broad-based Mass Privatization Program." The plan called for the dismantling of Iraq's state sector, with the least profitable industries to be shut down—their workers thrown into the street—and the oil sector and whatever else is deemed profitable sold off to the multinationals. The end result would be a vast increase in poverty and social inequality.

However, the realization of these predatory schemes depends in the final analysis on the US waging and winning a counterinsurgency war to subjugate the Iraqi people at the cost of many more lives, Iraqi and American alike.