Report highlights unchecked looting of Iraq's oil resources

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The British based non-government organisation Christian Aid released a report on June 28, pointing to the unrestricted plundering of Iraq's oil by the US and its allies. The paper, "Fuelling suspicion: the coalition and Iraq's oil billions", revealed that up to $US3 billion in oil export revenues has gone missing.

The determined refusal of the now dissolved Coalition Provisional Authority (CPA) to accurately account for its collection of these revenues has resulted in a situation where no-one knows just how much Iraqi oil the US authorities sold, and at what price.

The Christian Aid report detailed the CPA's extraordinary powers over every aspect of the appropriation and expenditure of Iraq's oil revenue. The oil was effectively the private property of the CPA and its US head, Paul Bremer.

Christian Aid noted that the oil revenue data released by the CPA did "not meet international accounting standards, even though the CPA possesses the information to do so". The report highlighted a number of substantial discrepancies in the CPA's published figures.

On May 29, the CPA-controlled Development Fund for Iraq (DFI), into which Iraq's oil revenues were initially channelled, published its financial statement reporting that $10 billion in oil income had been received in the 12 months prior to May 2004. This amount contradicted the CPA's "Administrator's Weekly Report", issued a day earlier, which reported oil revenue of $11.5 billion over the same period. No indication has been provided of how these figures were calculated.

Christian Aid conducted its own investigation into the value of the oil exports, and arrived at what it described as an "extremely conservative" estimate of between $11.8 and $13 billion. This means that the CPA underreported the value of the revenue it was collecting by as much as $3 billion, or 30 percent of the total. Christian Aid asked: "Are these extra billions missing? It is not possible to say".

The US-controlled oil industry in Iraq still does not follow standard international practice in having its production "metered". Metering provides an effective measure of the quantity and quality of oil that is sold. By the time the US took control of Iraq's oil, metering had ceased due to the effects of war and the sanctions regime.

There is evidence strongly suggesting that the US authorities have deliberately delayed the restoration of metering in order to facilitate their looting of Iraq's oil reserves. Christian Aid consulted oil industry experts who reported that metering was not difficult to implement, and would not require additional security measures. Despite this, in May the CPA reported that the two contracts that had been issued to restore metering would take 12 to 18 months to complete—that is, more than a year after the CPA's rule had expired, and after billions of dollars had been appropriated.

The Bush administration has resisted any suggestion that its control of Iraq's oil should be monitored or overseen in any way. United Nations Security Council resolution 1483, passed in May 2003, created the International Advisory and Monitoring Board (IAMB), made up of representatives from the UN, the International Monetary Fund, the World Bank and the Arab Development Fund. The IAMB was supposed to supervise the CPA's control and expenditure of Iraq's oil wealth, but for months the US resisted making any concessions to the body.

It was only in October 2003, when the crisis-ridden White House required international support at the Madrid donor conference for Iraq, that the IAMB was granted some limited powers. The body was authorised to monitor the export of Iraq's oil and gas, and audit all transactions involving the Development Fund for Iraq, including the receipts from oil sales.

With ongoing resistance from Washington, however, the IAMB's first two meetings were delayed until December 2003 and February this year. Only in April was it announced that the accountancy firm KPMG would conduct an audit of the CPA's use of Iraq's oil revenues. As the US well understood, there was little possibility that such an extensive audit could be completed prior to the scheduled handover of sovereignty on June 30.

To ensure that this was the case, the US authorities stonewalled the investigation. Iraq Revenue Watch, a monitoring group, received a leaked copy of the audit's still unreleased preliminary findings. It noted that "KPMG reported serious problems of access and lack of cooperation that could [and subsequently did] prevent the completion of their work by the June 30th deadline... KPMG's visits to Iraqi ministries have also been hampered and they have succeeded in meeting with only one ministry. They also encountered bureaucratic hurdles in obtaining the passes needed to enter the 'green zone' where CPA and government offices are based."

The audit, deliberately starved of both time and information, will now be released well after the CPA handed over control to the Iraqi puppet regime. In addition, the Christian Aid report noted, "there is no identifiable way in which anybody can be held to account for the CPA's decisions". Even if proof is found of criminal or corrupt activity, there is no possibility of any US official being prosecuted.

The brazenness with which the Bush administration has conducted its neo-colonial operation has raised concerns within the US political establishment about the potential repercussions in Iraq and the Middle East. In a *New York Times* article, "Who lost Iraq?" Paul Krugman noted: "Given the Arab world's suspicion that we came to steal Iraq's oil, the occupation authorities had every incentive to expedite an independent audit that would clear Halliburton and other US corporations of charges that they were profiteering at Iraq's expense. Unless, that is, the charges are true. Let's say the obvious. By making Iraq a playground for right-wing economic theorists, an employment agency for friends and family, and a source of lucrative contracts for corporate donors, the administration did terrorist recruiters a very big favour".

The truth is that the siphoning off of Iraq's oil is indicative of the essentially criminal character of the US-led war. The Bush administration issued a torrent of fabricated allegations against Iraq, following which it launched an illegal war of aggression against the impoverished country. As well as hoping to establish a military and strategic base in the Middle East, the US sought to take over Iraq's oil wealth, preventing rival powers from winning access to the world's second largest reserves of the critical resource. The immediate seizure of control over Iraq's oil revenues was a step in that direction.

Besides carefully concealing the value of the oil revenues it collected, the US provided no account of exactly how the money was spent. Christian Aid noted, "for the entire year that it has been in power in Iraq, it has been impossible to tell with any accuracy what the Coalition Provisional Authority (CPA) has done with some $US20 billion of Iraq's own money... We still do not know exactly how Iraq's money has been earned, on what contracts it has been spent, or whether this spending was in the interests of the Iraqi people".

While the CPA listed various projects it had approved, the information was always scant and ambiguous, and never specified which companies had been paid for which jobs. One senior UN diplomat complained to Christian Aid in June, "we only have the total amounts and movements in and out of the DFI. We have absolutely no knowledge of what purposes they are for, and if these are consistent with the Security Council resolution [1483]".

Funds from Iraqi oil were used to award massive reconstruction contracts to US firms. Christian Aid reported that despite these contracts, in many instances there was no sign of subsequent reconstruction activity on the ground. In other cases, occupation authorities presented various reconstruction projects in such a way that local Iraqis "tend not to realise that the money being used might be Iraq's own revenues rather than funds from foreign donors".

Iraq's wealth was also exploited by the Bush administration to pay for its commitments to favoured companies, including Halliburton, formerly headed by Vice President Richard Cheney. After the US Congress blocked funding for no-bid reconstruction contracts, oil money was handed out to those companies, including Halliburton, that had previously been granted such a contract.

Large portions of Iraq's oil revenue were allocated to bolster the US grip over the country. Some $1 billion from the DFI was spent on what the CPA's documents described as "increased security". Again, there were no details of how and where this money was expended.

The *New York Times* reported on June 21 that some of the "security" money was funneled into American military teams dispatched throughout the country with satchels full of $100 bills to distribute to Iraqis, in a desperate attempt to counter the insurgency with bribery. "The military commanders love that program, because it buys them friends," the *Times* quoted an administration official. "You want to hire everybody on the street, put money in their pockets and make them like you. We have always spent Iraqi money on that."

By the time the CPA was disbanded, the US authorities had drained all but $900 million of the $20 billion Development Fund for Iraq. The spending of Iraq's oil revenues was accelerated in the weeks prior to the handover of sovereignty, in what Iraq Revenue Watch described as an "Iraqi fire sale" and an "11th hour splurge". All these spending commitments are binding on the new Iraqi regime, which is now completely dependent on US funding.

The rapidity with which the US has spent almost all of Iraq's oil revenue sharply contrasts with the extraordinary lack of US spending on reconstruction in Iraq. By June 22, the US had spent just 2 percent of the $18.4 billion Iraq Relief and Reconstruction Fund approved by Congress last October. US officials have admitted that fewer than 140 of the planned 2,300 reconstruction projects are underway. Of the $366 million spent, $194 million—more than half—went to Iraq's police and security forces.

In an unmistakable demonstration of the Bush administration's contempt for the welfare of the Iraqi people, no US money has been spent on healthcare or water and sanitation. While the reconstruction fund allocated $5.4 billion to the restoration of the electricity grid, only $109 million has been spent. The fund has been used to create just 15,000 jobs, a tiny fraction of the 250,000 initially mandated.

The US-led invasion of Iraq has resulted in a terrible economic and social regression in that country. Far from being "liberated", the majority of Iraqis' living conditions are now worse than before the war. The Bush administration's looting of Iraqi oil, and its negligible spending on reconstruction and social services, again demonstrates its utter contempt for the welfare of the Iraqi people.