

Wall Street drools over prospect of capturing Iraq oil wealth

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The Iraqi cabinet's adoption last week of a law creating the legal framework for turning over the country's oil wealth to American corporations has touched off a chorus of salutes from the Bush administration, congressional Democrats and the corporate-controlled American media.

Perhaps the crassest expression of money-grubbing glee came in the *Wall Street Journal*, which published an article March 4 celebrating the unlocking of untold riches, including "dozens of untouched oil fields loaded with proven reserves and scores of exploration blocks that may prove a magnet to international oil companies."

The draft law lists 51 oil fields, 27 in production and the balance with proven reserves, as well as 65 exploration blocks. The fallow fields and exploration blocks are located in every region of the country, while the working fields are concentrated in the northern region around Kirkuk and in the southern region near the border with Kuwait. Citing a cabinet document, the *Journal* reported that "Iraqi officials must first agree to the framework of contracts to be used when negotiating with foreign oil companies by March 15 if the country's draft hydrocarbons law is to be submitted to parliament for its approval."

The draft law calls for reviewing and renegotiating contracts with Russian, French and Chinese oil producers, signed under Saddam Hussein. These countries, which initially opposed the US invasion, are expected to be cut out of any lucrative oil deals in favor of American and British companies.

The government of Prime Minister Nouri al-Maliki endorsed the draft law February 26, after months of bitter conflicts among the representatives of rival bourgeois factions within Iraq—Kurdish, Sunni and Shiite—over the terms of the deal. Approval is likely in the Iraqi parliament, although not certain, as news of the agreement is sure to provoke widespread popular outrage over the sell-off of the country's most valuable resource.

The cabinet conflict revolved around two related issues: Kurdish determination to hold onto Kirkuk, a city of mixed Arab, Kurdish and Turkomen population that is the center of the northern branch of Iraq's oil industry; and the Sunni demand for revenue-sharing at the national rather than regional level, since the proven oil reserves are largely in the Shiite and Kurdish populated areas, with relatively little in the central and western provinces where most Sunnis live.

Neither issue was completely settled, but the formula agreed upon under heavy pressure from outgoing US Ambassador Zalmay

Khalilzad, who reportedly dictated the final terms, provides rather more concessions to the Sunnis, largely at the expense of the Kurds.

In public, the Bush administration and congressional leaders of both parties have cited the working out of inter-ethnic compromises as the main purpose of the oil legislation. In reality, however, the Bush administration sought an agreement on whatever terms it could impose, so that the Iraqi oil industry could be placed on legal foundations suitable for opening it up to foreign (and largely American) capital.

The most important aspect of the bill is that it revives a semi-colonial form of oil contract called a "production-sharing agreement," which would give foreign companies first claim on any oil they help Iraq's nationalized industry extract from the country's enormous reserves, estimated at 115 billion barrels.

Production-sharing agreements were devised by the multinational (mainly US, British, French and Dutch) oil companies in response to the efforts of the bourgeoisie in the OPEC nations—Iran, the Gulf sheikdoms, Libya and Venezuela—to establish national oil companies and negotiate more favorable terms.

Under a PSA, the multinationals could continue operating the oil industries in these countries while the oil resources were nominally taken under national ownership. The oil companies were guaranteed first right to oil revenues. This structure became largely discredited as providing only the semblance of national control over oil resources, and only 12 percent of worldwide production is currently conducted under PSAs—with none at all in the Middle East.

The new Iraqi law would allow regional authorities to enter into PSAs in which oil companies would be guaranteed up to 70 percent of the revenues, as well as an unrestricted right to take their profits out of Iraq, rather than reinvesting them in the industry.

According to the oil minister, Hussain al-Shahristani, as many as 65 of Iraq's 80 known oilfields would be put up for bid to foreign oil producers. Any region that can produce at least 150,000 barrels of oil a day can create its own operating company—with the result that dozens of relatively small companies could be formed, easy prey for the giant multinational corporations to manipulate, bribe or buy outright.

The law would reestablish the state-run Iraq National Oil Company, shut down by Saddam Hussein in 1987 in favor of an

oil ministry. This legal change is a step towards actual sale of the entire industry, which could take the form of selling an interest in the new INOC to one or several big foreign producers, or entering into joint ventures.

One of the most glaring failures of the Bush administration's occupation of Iraq—from the standpoint of the American ruling elite—has been its inability to revive the oil industry. Under the impact of US and UN sanctions, Iraqi oil production had already fallen from 3.7 million barrels a day at its peak to 2.6 million barrels a day just before the US invasion. This figure has declined further to barely 2 million barrels a day, much of which is stolen and traded on the black market rather than exported.

The significance of the oil law was widely commented on in the American ruling elite. White House spokesman Tony Snow called it the “key linchpin” in Iraq's rebuilding, and congressional Democrats and Republicans praised the agreement as a vital step forward.

Ambassador Khalilzad, in an op-ed column published March 3 in the *Washington Post*, declared the agreement “a significant achievement for Iraqis' national reconciliation. It demonstrates that the leaders of Iraq's principal communities can pull together to peacefully resolve difficult issues of national importance.”

Actually, the agreement signifies that no section of the Iraqi bourgeoisie—Sunni, Shiite or Kurdish—is capable of adopting an independent stand towards American imperialism. All are seeking to maneuver with Washington, and to a lesser extent the European imperialist powers, to secure their own share in the division of the spoils. Nothing will come of the oil deal for the Iraqi people, whose society continues its plunge into unchecked sectarian and ethnic strife.

Khalilzad declares that under the terms of the bill, “Iraq would adopt the best international practices for the development and management of its mineral wealth.” The meaning of these “best international practices,” of course, is that Iraq's mineral wealth will be turned over to the multinational corporations. The maintenance of state ownership is purely nominal: as in other PSAs, the oil will be legally the property of the people of Iraq, but the vast bulk of the revenues and profits will go to ExxonMobil, ChevronTexaco, Shell and BP.

Journalist and author Dilip Hiro, writing in the *Guardian* January 9, noted the stage-managed character of the “Iraqi” decision to hand over control of the country's oil resources to US oil companies. He wrote, “The early draft of the proposed law, prepared with the assistance of BearingPoint, an American consultancy company hired by the Bush administration, was sent to the Bush White House and major western petroleum corporations in July, and then to the International Monetary Fund two months later, while most Iraqi legislators remained uninformed.”

The *Los Angeles Times* noted, in reporting the Iraqi cabinet action, “The United States has long wanted to capitalize on Iraq's oil, especially as a means of paying for the country's reconstruction. Oil's importance was reiterated in the Iraq Study Group report released in December. The agreement would open the door to international investment in Iraq's oil industry—a bonanza for foreign companies . . .”

New York Times editorialized cautiously on the draft agreement, focusing on the purported goal of “equitably sharing the nation's oil revenues among all Iraqis,” while remaining silent on the crass plundering of Iraq's resources that the new law would rubber-stamp. The *Times* left no doubt about its approval for that goal, declaring, “An oil law should be one of the benchmarks Washington insists on as a condition of continued support” for the Maliki government. Cabinet approval was a step forward, the *Times* said, “but it isn't nearly enough.”

More than a month ago, the *Washington Post* reported on a meeting of 80 oil company executives and consultants in London on exploration prospects in the Kurdish region of Iraq, noting, “Outside Saudi Arabia, no country has proven oil reserves as big as Iraq's. And the oil there is high quality, easy and cheap to produce, and bottled up in reservoirs that many major oil companies were familiar with three decades ago before wars and sanctions drove them out.”

One oil analyst, Fadel Gheit of Oppenheimer & Co., told the *Post*, “Exxon Mobil has more seismic data on Iraq than on Houston real estate. If Exxon had security on the ground, the following day it would have crews there. And money would be no object.” Gheit estimated that a restored Iraqi oil industry could triple current production to 6 million barrels a day, worth \$131 billion a year at current prices.

While the US media and the politicians of both the Democratic and Republican parties publicly dismiss the claim that Bush invaded Iraq to seize its oil wealth, this political reality is increasingly understood by the American people. According to a UPI/Zogby International poll in January, 73.4 percent thought that Iraq's oil resources were a “major factor” or a contributing factor in Bush's decision to invade, while only 23.7 percent believed that oil was “not a factor” in the war.

The enactment of an Iraqi oil law will outrage millions of working people, in the United States and internationally, who oppose sacrificing the lives of thousands of Americans—and hundreds of thousands of Iraqis—to give American companies control of Iraq's vast oil resources.



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