Royal Dutch Shell and the struggle for Iraqi oil

Jörg Victor
24 July 2007

Despite growing popular opposition, the Dutch government coalition of the Christian Democrats (CDA), Social Democrats (PvdA) and Christian Union (CU), under Christian Democratic Prime Minister Jan Pieter Balkenende, continues to provide military support to US imperialism in the Middle East and Central Asia.

One of the greatest beneficiaries of this support for American militarism is the oil multinational Royal Dutch Shell. The company was driven out of Iraq by the nationalisation of the oil industry in the 1970s under Saddam Hussein. Now, this Anglo-Dutch company is again preparing to exploit the most profitable oil fields in Iraq.

One year after the launching of the Afghanistan war in 2001, the Dutch government deployed troops to that country, where they functioned under US command. Additionally, starting in July 2003, more than 1,200 Dutch soldiers were deployed to southern Iraq. Officially, their mission was to protect a Japanese brigade of engineers. In April 2005, the Dutch troops were withdrawn from Iraq. The same year, approximately 600 soldiers were sent into the Kabul area of Afghanistan as part of the United Nations' International Security Assistance Force mission. The government in The Hague also made two frigates available.

At the beginning of 2006, the US requested further troops for Afghanistan from its ally. Balkenende immediately expressed his agreement. He received support from the then-opposition Social Democrats and their chairman Wouter Bos. Some 80 percent of the deputies in the Netherlands parliament at that time voted to send more troops to Afghanistan.

In May 2006, the Netherlands reinforced its troop contingent in the Uruzgan province to 2,000 soldiers, armed with self-propelled howitzers, six combat helicopters and eight F-16 fighter jets. The 2,000-strong Dutch contingent (from a country of only 16 million inhabitants) represents approximately 10 percent of Holland's armed forces placed at the disposal of the US. The Netherlands thereby has the fourth largest deployment of foreign troops in Afghanistan.

Starting this spring, Dutch troops have also been participating in NATO's "Achilles" offensive, which unleashed a new and more intensive wave of violence on the country.

This summer, the Dutch parliament must again decide on extending the military deployment in Afghanistan. Last year, 70 percent of the Dutch population opposed the parliamentary vote to send more troops to Afghanistan. According to media reports, opposition to the military operation is again approaching this high point after two Dutch soldiers were killed in June, and Dutch troops have become increasingly embroiled in fighting. Nevertheless, it is expected that the government in The Hague will push for an extension of the operation.

Why does the government of a small country like the Netherlands uncritically support the Bush regime militarily in the face of large popular opposition? The answer is to be found in the efforts of oil giant Shell to set foot once again in Iraq.

Royal Dutch Shell was active in Iraq in the 1920s, profiting from the exploitation of Iraqi oil for approximately five decades. Only the nationalisation of the oil industry in 1972 by the Hussein regime terminated this very lucrative business for Shell. Nevertheless, the oil giant never lost sight of Iraq over the following decades. Little wonder, since Iraq possesses the third largest proven reserves of oil and natural gas in the world. According to John Teeling, chairman of the English company Petrel Resources, active in the oil sector, "It costs $1 a barrel to get oil out in Iraq. If you're getting $60 for it, that's good economics. You don't have to go to Harvard to figure that out."

Starting in 1991, when economic pressure increased on the regime in Baghdad as a result of the sanctions imposed by the US and the United Nations, Hussein was again ready for foreign companies to participate in the exploitation of the country's oil. In 1997, his government signed a contract with the Australian oil company BHP Billiton for the development of the Halfaya oil field. Soon afterwards, Shell bought a 40 percent share of this contract.

Economic sanctions, however, meant that the Australian company never had the opportunity to implement the contract. At the end of the 1990s, Shell's Middle East manager Wolfgang Ströbl then began direct negotiations with the Iraqi oil ministry about expanding the company's investments.

The beginning of the Iraq war in March 2003 put an end to that process. Shell's efforts to re-establish itself in Iraq now depended on the Bush administration. Clearly, its ambitions would have been negatively affected by a government in the company's homeland that was critical of the war.

At the same time, Shell was particularly eager to secure further exclusive oil and gas reserves. At company headquarters, it had long been known what became public knowledge in 2004: Shell's worldwide secured oil reserves had to be revised downward by around 20 percent or 4.35 billion barrels. This caused a serious crisis for the company; its share price dramatically collapsed, and two members of the board had to resign.

Earlier statements by Shell's public relations department, claiming the company had no intention of re-entering the Iraqi oil sector, soon proved to be a smokescreen. With the first shots fired by American soldiers, Shell managers and lobbyists began the effort to secure a sizeable piece of the cake for the European energy giant.

Important elements in this lobbying network were and are the governments of Britain and the Netherlands—the two states in which the company is registered. Just a few days after the war began, Shell representatives went to Downing Street to see British Prime Minister Tony Blair. They insisted that the exploitation of Iraqi oil should not be left solely to American companies. The Dutch government accommodated the interests of the country's largest transnational corporation by participating militarily in the US-led wars in Afghanistan and Iraq.

The close fusion of big business and politics is a fundamental characteristic of capitalism. Despite their global activities, the transnational corporations, including the oil giants, are dependent on the cooperation of governments, which increasingly become the lackeys of the largest and most powerful companies. This mutual support is expressed through an ever-closer exchange of personnel between the two. Politicians easily enter into the world of big business, managers move into politics.

For example, Wouter Bos, the chairman of the PvdA and currently deputy prime minister, before taking over the leadership of the Social Democrats, was a top manager with Royal Dutch Shell. For more than 10 years, he held various leading positions for the oil multinational, including as a political advisor to the company's executive board, general manager in Romania and headhunter for leading personnel in East Asia.

In Britain, Shell managers sit on a series of government committees and taskforces. Policies are developed that benefit the company in bodies like the Renewable Energy Taskforce, the Advisory Committee on Business and the Environment or the Oil and Pipelines Agency, which comes under the auspices of the defence ministry. In the last two decades, four high-ranking foreign office civil servants moved on to become top managers at Shell or BP once they retired from their government jobs.

At a meeting in March 2003 in London, Malcolm Rifkind, a former foreign minister in the Conservative government of John Major, promised oil managers he would use his influence with US Vice President Dick Cheney to ensure European oil corporations gained contracts for some of the largest oil fields.

Philip Carroll, chairman of the board of Shell Oil, Royal Dutch Shell's American subsidiary from 1993 to 1998, was appointed an advisor to the Bush administration for the Iraqi oil industry. Carroll played an important role in elaborating the new oil production legislation, which was then submitted to the Iraqi puppet regime in 2003.

As well as cooperating with the British and Dutch governments, Shell uses a network of lobbying organisations through which the corporation acts, to some extent also directly alongside its competitors. For example, these organisations include the US Council for International Business established in 1945, one of the largest American lobbying organisations, as well as the European Roundtable of Industrialists, the most influential lobby organisation in Europe.

The spearhead of Shell's lobbying is the US-based International Taxation and Investment Centre (ITIC). This think tank is financed by Shell and six other oil corporations, and since June 2003 has developed the strategy for plundering Iraq's oil wealth. The central plank of this strategy is a study prepared by ITIC in cooperation with the British government and the oil companies involved. Not surprisingly, the study comes to the conclusion that the reconstruction of the Iraqi oil industry requires direct investment by the major oil corporations. To secure such foreign investment, so-called Production Sharing Agreements (PSAs) are to be created, handing over large portions of Iraq's natural wealth to the corporations involved.

The ITIC documents were submitted to the Iraqi finance ministry by the British ambassador in Iraq. In January 2005, British diplomats helped organise an ITIC conference in Beirut at which corporate oil executives met directly with Iraqi finance, oil and planning ministry officials to present their plans. The working out of an appropriate legal text was then arranged by the American consultancy company Bearing Point on behalf of the US government. Along with the British government, the International Monetary Fund and the oil corporations, Bearing Point was directly involved in preparing draft legislation—long before any member of the Iraqi government or parliament saw the text of the law.

In February 2007, the Iraqi cabinet of Prime Minister Nouri al-Maliki accepted the draft legislation and submitted it to parliament. If parliament passes the legislation, nothing stands in the way of the oil giants exploiting Iraq's resources, since the law sets out the necessary PSAs. More than 60 of the approximately 80 oil fields already developed are to be handed over exclusively to the oil corporations for up to 30 years; in addition, they will gain rights to all unexplored fields. After paying for all their running costs out of the revenues, 20 percent of the profits are guaranteed to the oil companies. Some calculate that, in reality, up to 70 percent of the profits will flow to the oil multinationals.

According to the *Independent*, the ITIC is currently planning a new conference with the participation of Iraqi officials and representatives of the oil corporations. Its main topic of discussion would be the formulation of future tax legislation and how this can complement the planned oil laws. The view of the corporations formulated by ITIC is clear: They want a total tax exemption on their profits from Iraqi oil.

Over the last years, Royal Dutch Shell has also prepared itself internally for its penetration of Iraq. In 2004, the company established the post of Iraqi chairman. It is the most senior post of all the company's overseas enterprises. Based in Dubai, this manager will head the oil and gas production for the company. The same year, the firm placed advertisements for an assistant to this chairman. This should be "a person of Iraqi descent," with the "best contacts and insights into the network of significant families in Iraq," explained the ad.

Since 2005, Shell has conducted technical studies into the Maysan oil field in southern Iraq and into the Kirkuk oil field in the north of the country. Shell has also got its sights set on the Rumaila oil field in the south, close to the Kuwaiti border.

As far as natural gas is concerned, Shell is pursuing an ambitious plan to become the leading company in the field of the production and sale of Iraqi gas. This year, in the city of Muscat in Oman, Shell presented a so-called gas master plan to former Iraqi oil minister Issam al-Chalabi, his deputy Abdul Jabbar al-Wakkaa and other high-ranking bureaucrats from the Iraqi oil industry. A further meeting then followed in the Netherlands. Today, al-Chalabi is an advisor to Prime Minister Nouri al-Maliki.

Concrete steps to implement the gas master plan have already been taken. Together with Turkish enterprises, including Turkey's state-run oil corporation, a pipeline is to be built taking Iraqi natural gas to the north and then via Turkish ports on to the European market. A meeting of Shell representatives with Turkish and American officials, together with the Turkish enterprises involved, has already taken place.

"We have done all our homework on Iraq," according to Shell's executive chairman Jeroen van der Veer in September of last year. "I'm not going to speculate on the time, but we are ready to move."