

Bush-linked Texas company signs oil deal with Iraqi Kurds

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Earlier this month, the Kurdish Regional Government (KRG) in Iraq announced that it had signed a production-sharing deal with Texas-based Hunt Oil. The move is an indication that Western oil companies, frustrated over the delay in the passage of a national oil law by the Iraqi government, are moving to make deals with regional bodies to get access to Iraq's vast oil reserves.

As significant as the deal itself is the identity of the company involved. Ray Hunt, the CEO and president of privately held Hunt Oil, is a close confidant of President Bush and a prominent figure in the US political and intelligence establishment.

To what extent the policy of the Bush administration is motivating the deal—and to what extent it is motivated by purely profit interests—cannot be determined with precision. However, the announcement comes at a time of growing strains between the Iraqi national government, led by Prime Minister Nouri al-Maliki, and the Bush administration. Many commentators have noted that the moves by Kurdish authorities to establish autonomy in the control of the region's oil resources could contribute to a fracturing of the Iraqi state along sectarian lines.

Hussain al-Shahristani, the Iraqi oil minister in the Maliki cabinet, denounced the agreement, saying, "Any oil deal has no standing as far as the government of Iraq is concerned. All these contracts have to be approved by the Federal Authority before they are legal. This [contract] was not presented for approval. It has no standing."

The *Wall Street Journal*, in an article published on September 10, noted that the move by Hunt represents "a new willingness by some large Western companies to bypass the fractious government in Baghdad and deal directly with regional authorities in the war-torn country."

The *Journal* went on to note that the contract with Hunt "is a watershed in the on-again, off-again scramble by Western companies to set up shop in Iraq.... Since the overthrow of Saddam Hussein ... there has been no legal

framework for signing deals and ensuring they last beyond the current government."

The passage of an oil law that would open up Iraq to US and other foreign oil companies has been one of the key aims of the US occupation and a principal "benchmark" set by the Bush administration and the US Congress for the Maliki government. All sections of the US political establishment are united in the demand that this law be passed.

Earlier this year, representatives of the different factions of the Iraqi elite—Shiite, Sunni, and Kurd—reached a temporary compromise. In July, Maliki's cabinet agreed to a draft law that was sent to the Iraqi parliament.

While the bill is universally portrayed in the American media as a means of reconciling the different Iraqi factions, the main purpose of the legislation is to end the state monopoly on the development of oilfields and abrogate preexisting contracts with Chinese, Russian and French oil companies. The draft was drawn up under the close supervision of American advisors.

The compromise was hailed with much fanfare when it was reached, but it has not been passed in parliament, foundering on conflicts over the division of the spoils. The Kurds, in particular, have favored more regional control over oil, while the Sunni elite and sections of the Shiites want more centralized control. Most of Iraq's oil is concentrated in the largely Kurdish north and the largely Shiite south.

In his televised speech on Thursday, Bush issued another warning to the Maliki government that it must pass the oil law. "The government has not met its own legislative benchmarks," Bush said, "and in my meetings with Iraqi leaders, I have made it clear that they must."

In August, the KRG moved ahead by passing its own oil law that accords with the interests of the Kurdish elite. It then signed the deal with Hunt Oil in early September. An article published in the *New York Times* on Thursday

reported that the draft oil law had “collapsed,” in part due to the Hunt deal.

Prior to Hunt, the KRG had signed contracts with other companies, including DNO of Norway, Genel Enerji of Turkey, Dana Gas of the UAE, and Western Oil Sands of Canada.

The large energy conglomerates have thus far remained on the sidelines, waiting for the passage of a national law that will secure their investments and provide a legal cover for their operations. While Hunt is not the equivalent of oil giants such as Exxon or British Petroleum, the deal is a qualitative development over the earlier, smaller agreements. It is the first of the sort since the KRG passed its own oil law.

The move clearly strengthens the hand of the Kurdish authorities in their ongoing dispute with the central government. In addition to the oil law, conflicts are escalating over a referendum that is supposed to be held later this year to determine whether the oil-rich city of Kirkuk will be incorporated into the KRG. The national government has so far stalled on preparing for the referendum.

In the eyes of Kurdish elite, control over Kirkuk, combined with access to a larger share of oil revenues, will provide the foundation for a future Kurdish state. The US has been hesitant to back these aspirations. While the Kurdish nationalist parties and militias have been important collaborators in the US occupation, a separate Kurdish state could well provoke a military intervention by US ally Turkey, which fears Kurdish separatist tendencies within its own borders.

Given Hunt’s connections, however, there is reason to believe that the deal was encouraged by the Bush administration—either as a means of pressuring the Maliki government or as a step toward supporting regionalism over the national government.

In an op-ed piece published Friday, *New York Times* columnist Paul Krugman reported that Ray Hunt “is a close political ally of Mr. Bush.” He continued, “More than that, Mr. Hunt is a member of the president’s Foreign Intelligence Advisory Board, a key oversight body.”

Krugman went on to note, “By putting his money into a deal with the Kurds, despite Baghdad’s disapproval, he’s essentially betting that the Iraqi government—which hasn’t met a single one of the major benchmarks Mr. Bush laid out in January—won’t get its act together.”

Hunt is also on the board of directors of Halliburton, the company formerly run by Vice President Dick Cheney. In

2000, Hunt was one of 241 Bush “pioneers”—meaning he raised more than \$100,000 for the Bush presidential campaign. He was finance chairman for the Republican National Committee’s Victory 2000 Committee.

A report on the web site HalliburtonWatch.org from August 2004 notes that Hunt “serves as chairman of the board for the Federal Reserve Bank of Dallas and is a member of the National Petroleum Council, an industry trade group that advises the president on energy policy. Vice President Cheney also served as a member of the Council during his tenure as CEO for Halliburton.”

Hunt’s position on the Foreign Intelligence Advisory Board places him in close contact with the intelligence establishment in the US. In 2005, along with Hunt, Bush appointed 11 other members, including Lee Hamilton, vice chairman of the 9/11 Commission and former Democratic congressman; William DeWitt, a close Bush supporter who helped Bush make his millions in his dealings with Harken Energy and the Texas Rangers; Donald Evans, long-time Texas oil man, Bush supporter and former secretary of commerce; and Martin Faga, former director of the National Reconnaissance Office, which operates US spy satellites.

Another factor behind the Hunt deal is concern within the administration over the growing interest in Kurdish oil expressed by other foreign powers—including China and Iran. A January 2007 report by the BBC noted “an increasing foreign interest in the future of Kurdistan’s oil.” The article cited Jerry Kisler, a US oil expert who was advising the KRG, who said Iran’s activity had been particularly notable.

According to Kisler, “They [the Iranians] have their eyes on lots of cross-border fields. It’s a reality that’s hard for Americans to swallow.”



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