

US-backed crackdown in Basra paves way for opening up Iraq's oil and gas

James Cogan
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The Iraqi government is following up its US-backed campaign of terror against the Shiite Sadrist movement and its Mahdi Army militia in Basra with moves to open up the country's oil and gas resources for exploitation by transnational conglomerates.

On April 16, Oil Minister Hussain al-Shahristani announced that four undeveloped oil fields in southern Iraq will be tendered to international companies in coming months—three in Basra province. The massive Akkaz natural gas field in the western province of Anbar and an untapped oil field near the northern city of Kirkuk are to be offered up as well. Earlier this month, the Oil Ministry published the names of the first 35 companies—out of 120 that applied for licenses to operate in the Iraqi oil industry—that will be permitted to make bids.

The Akkaz gas field, which is believed to hold seven trillion cubic feet of natural gas, will be developed from start-up production of 50 million cubic feet per day to as much as 500 million cubic feet per day. The long-term plan is to extend an existing pipeline to Syria into Turkey, and sell gas on the lucrative European Union markets. The supply of Iraqi gas to the EU was one of the main agenda items during a two-day visit to Brussels by Iraqi Prime Minister Nouri al-Maliki in mid-April.

The aim of the southern oil projects is to increase Iraqi production by at least 500,000 barrels to close to three million barrels per day. Longer term, the opening up of dozens of other untapped fields is anticipated to enable production to be pushed to between six million and 10 million barrels per day. Iraq has estimated oil reserves of 115 billion barrels, though one analyst, Fadhil Chalabi of the London-based Centre for Global Energy Studies, puts the figure at more than 300 billion barrels—the largest reserves in the world.

The list of companies highlights the predatory motives behind the 2003 invasion and the subsequent international

support for the occupation. It includes US giants ExxonMobil, Chevron, Conoco Phillips, Occidental Petroleum, Hess, Marathon and Anadarko, Britain's BP, BG and Premier, and Australian firms BHP-Billiton and Woodside. These are the three countries that deployed troops. Royal Dutch Shell, France's Total, Germany's BASF, and a number of Japanese, Russian and Chinese firms have also gained the right to tender.

The operations against the Mahdi Army in Basra have been used to tackle a number of obstacles to large-scale corporate involvement in the oil industry. The Sadrists, who oppose foreign exploitation of Iraq's oil industry from the standpoint of Iraqi nationalism, have effectively been driven underground in the city and hundreds of their loyalists killed. In addition, the US, British and Iraqi government forces have targeted the Basra-based Fadhila party, which holds the provincial governorship and dominates trade unions in the oilfields and ports.

Over the past several years, government representatives in Baghdad have repeatedly accused Fadhila of using its control of the Basra administration and the state-owned southern oil company to operate a highly organised and profitable oil smuggling racket. According to an unconfirmed April 10 report in the British-based *Times*, Fadhila governor Mohammed Al-Waili has been placed under house arrest by Iraqi troops. There are no media reports, but it is highly likely that a purge of Fadhila appointees is taking place, especially within the oil industry.

In the wake of the Basra offensive, security in the oilfields and pipelines has been taken out of the hands of a Fadhila-controlled force and delegated to Iraqi army and police units loyal to the two Shiite parties that dominate the central government—the Islamic Supreme Council of Iraq (ISCI) and Maliki's own Da'wa. The weakened position of Fadhila is reflected in signals this week that the party wanted talks on rejoining the Maliki government

and the dominant Shiite parliamentary faction—the United Iraqi Alliance (UIA). With the incorporation of Fadhila and the physical suppression of the Sadrists, the UIA expects to take control of the Basra government in the upcoming October provincial elections.

The deployment of government forces into the oilfields also seeks to intimidate members of the Basra Oil Union, who have taken strike action several times in opposition to the US occupation. The union opposes privatisation of the oil industry. Government troops have occupied the port of Umm Qasr, from which much of the country's oil is shipped. The *New York Times* foreshadowed the move onto the docks in a March 13 article that denounced “a militia-controlled union that will load and unload ships only eight hours a day—rather than the 24 hours a day typical of modern ports”.

Transnational companies will initially enter the Iraqi oil and gas industry on the basis of two-year “technical support agreements”, for which they will be paid a flat fee and have no rights over reserves or any share in profits. Sharp differences among the various sectarian and ethnic-based factions in the Iraqi parliament have prevented the passage of a proposed oil law that would legalise foreign control of oil resources.

Concerted efforts are underway to remove that obstacle, however. US Vice President Dick Cheney held meetings with representatives of the main Shiite, Sunni and Kurdish blocs during his visit to the country last month. He reportedly demanded a crackdown on the Sadrists and pressed for an agreement on the terms of the oil law.

On April 16, the Maliki government and the Kurdish Regional Government (KRG), which controls the autonomous Kurdish region in northern Iraq, announced that a deal had been reached. Legislation based on a February 2007 draft, already approved by Maliki's cabinet, will reportedly be presented to parliament soon. The KRG will have the right to enter into contracts with foreign firms for oil and gas projects within its territory—a key Kurdish demand.

A central feature of the 2007 draft was that it legitimised “production sharing agreements” (PSAs)—a one-sided form of contract that allows companies developing oil fields to use initial revenues to recoup all their costs and gives them a proportion of subsequent profits. The KRG has signed as many as 20 PSAs for oil and gas operations in northern Iraq.

The quid pro quo from the Kurdish elite is to shelve their ambitions to incorporate the city of Kirkuk and its surrounding oil fields into their autonomous territory. A

UN mission is currently preparing a report on whether it is feasible to hold a referendum in Kirkuk on joining the KRG. The UN team is expected to recommend that four largely Kurdish areas be included in the autonomous Kurdish region, but not Kirkuk.

Under the Iraqi constitution, a referendum on the future status of Kirkuk was meant to have taken place by December 2007. It was postponed in the face of vehement opposition by ethnic Arabs and Turkomen in the city and threats of Turkish intervention. The Turkish government opposes any expansion of the Kurdish region on the grounds that it could encourage separatist agitation among Turkey's own large Kurdish minority. In February, Turkish troops carried out an eight-day incursion into the KRG to hunt down members of the rebel Kurdistan Workers Party (PKK). The operation was a clear message to the Iraqi Kurds to back off on the issue of Kirkuk.

The largest Sunni parliamentary bloc, the Iraqi Accordance Front (IAF), has indicated that it too wants to rejoin the government, suggesting that it is prepared to accept the oil law. The plan to develop gas fields in Anbar province, which has an overwhelming Sunni population and is currently governed by parties belonging to the IAF, provides a definite incentive to do so.

The repression of opposition in Basra to meet US demands and accommodate big oil underscores the venal character of the Iraqi government and its various factions. The Iraqi elite are concerned with securing their own privileged position within the framework of US occupation, regardless of the consequences for the mass of the population.



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