

Bush administration encouraged oil deal in Kurdistan, undermining Iraqi “national unity”

David Walsh
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The Bush administration publicly criticized a deal made between Hunt Oil of Dallas, Texas and the Kurdistan Regional Government in Iraq last September for supposedly undermining Iraqi “national unity,” while privately officials were facilitating the oil firm’s activities, documents released this week by the US House Committee on Oversight and Government Reform reveal.

Hunt Oil, whose chief executive Ray Hunt has been a major backer of George W. Bush, signed the agreement with the Kurdish government on September 8, 2007 to explore and develop oilfields in the region.

No national law on the division of oil revenues had been passed at the time (and still has not been), and the agreement outraged Iraqi government officials fearful that Baghdad would be cut out of its share of lucrative oil profits by such arrangements and that the country might well break up under centrifugal pressures. At the time Iraq’s oil minister, Hussein al-Shahristani, called the deal “illegal.”

The Bush administration echoed these remarks. The president stated on September 20, 2007: “I knew nothing about the deal. I need to know exactly how it happened. To the extent that it does undermine the ability for the government to come up with an oil revenue sharing plan that unifies the country, obviously if it undermines it I’m concerned.”

A State Department official told the press: “It’s counterproductive. Our view is the contract process should be controlled by the central government and that these regional deals could become illegal if an oil law is passed.”

The Assistant Secretary of State for Legislative Affairs, Jeffrey T. Bergner, wrote to a Congressional committee in October 2007 that, in his department’s view, “the signature of such contracts would needlessly elevate tensions between the KRG [Kurdish Regional Government] and the Government of Iraq.” Bergner went on to say, “We believe it is in the best interest of Iraq for all interested parties to agree to a single central approver of contracts so that Iraq’s oil and gas resources can be developed in accordance with a rational plan.”

This was all for public consumption. Behind the scenes, US government officials were assisting Hunt, a former member of the board at Halliburton (1998-2007), who has contributed \$35 million toward the building of a Bush library, to land the deal with the Kurds.

The documents released by California Democratic Congressman Henry Waxman’s Oversight and Government Reform committee include an email from David McDonald, Hunt Oil’s General Manager for Europe, Africa and the Middle East, reporting on conversations with US government officials held June 12 and 15, 2007 in Erbil, the capital of the Kurdish autonomous region. McDonald sent the message in late September 2007, after the Hunt deal had been publicly censured by Bush and other administration officials.

In the email, addressed to Hunt Vice President Ken Topolinsky,

McDonald writes about the initial discussion with US officials on June 12: “I described our visit as a security and business opportunity assessment, we discussed their views about security, power supply.” The officials, including members of the State Department’s Regional Reconstruction Team for the Kurdish region, suggested that McDonald return for another discussion three days later “when the expert concerned with the petroleum industry would be present.”

McDonald did so, and on June 15 another conversation took place between the Hunt oilman and US government representatives, among them, the “Senior Economic Adviser, Regional Reconstruction Team, USAID Northern Region.” In response to a question about production sharing contracts, McDonald explained that “I answered with a demonstration on a whiteboard of the terms of the agreement how royalties, cost oil, and profit oil are calculated and noted that the KRG contract [model production sharing agreement on the KRG web site] is consistent with agreements in use around the world and in fact is a sophisticated agreement. I specifically asked if the USG [US government] had a policy toward companies entering contracts with the KRG and [blacked out name] replied that there was no policy, neither for nor against.”

McDonald notes other contacts with American government officials in August and early September 2007, and concludes: “There was no communication to me or in my presence made by the 9 state department officials with whom I met prior to 8 September that Hunt should not pursue our course of action leading to a contract. In fact there was ample opportunity to do so, but it did not happen.”

The Commerce Department official who participated in the June 12 meeting, wrote Hunt Oil executives that same day: “It was a real pleasure meeting with you today, hope you [have] a fruitful visit to Kurdistan ... Please feel free to contact in case you need any support from our office here in Erbil.”

Casting further doubt on State Department claims that it was discouraging deals similar to the one Hunt was making with the Kurdish government, a few days after the agreement was announced in September, the Deputy Director of the US Regional Embassy in Basra wrote to a Hunt official, “I read and heard about with interest your deal with the regional Kurdish government,” and went on to tip her off about “another opportunity,” a liquefied natural gas refinery in southern Iraq. He added, “This seems like it would be a good opportunity for Hunt.”

As to the White House claim that it knew nothing about the deal, Ray Hunt’s own political relationship with the administration puts the lie to that. Aside from being a billionaire oilman, Hunt is a member of the President’s Foreign Intelligence Advisory Board (PFIAB), along with 15 other business, military and intelligence types. Hunt dispatched two letters informing the PFIAB of his Kurdistan venture, presumably because the

latter would involve contact with representatives of a foreign government.

On July 12, he wrote: “We were approached a month or so ago by representatives of a private group in Kurdistan as to the possibility of our becoming interested in that region. We had one team of geoscientists travel to Kurdistan several weeks ago and were encouraged by what we saw. We have a larger team going back to Kurdistan this week but who they will actually meet with while they are there and what the relationships of those people might be with the Government of Kurdistan are both unclear at this time.”

Some six weeks later, Hunt wrote again to the PFIAB, informing board members of his upcoming visit to the region: “While my schedule is still fluid, there is a high likelihood that I will meet with President Masoud Barzani, the Prime Minister, the Oil Minister and various other individuals associated with the government of Kurdistan.” The visit bore fruit.

Barzani said recently, in response to criticism from Baghdad, that the more than 20 production-sharing contracts his government has signed with foreign oil companies since passing its own gas and oil law in August 2007 are “irreversible.” He added, “Anyone who wants to put off these deals is a dreamer.” The Iraqi oil ministry has threatened to blacklist any oil firms making deals with the KRG, but that has not stopped the flow of such agreements. In late June, the Kurdish regime announced a new package of oil deals with South Korea’s state oil company.

The revelations about the US government and its dealings with Hunt come in the context of the recent announcement that American and European oil giants Exxon, Shell, BP and Total are receiving no-bid service contracts from the Iraqi government, deals that are simply the foot in the door for the massive companies.

The Bush administration claimed in this case too that it had nothing to do with the negotiations. Secretary of State Condoleezza Rice stated, “The United States Government has stayed absolutely out of the matter of the awarding of Iraq oil contracts.” A State Department spokesman declared, “These are Iraqi contracts. They were made by Iraqis, for Iraqis.”

Everyone over the age of 10 knows that these claims are boldfaced lies. The US intervened in Iraq to seize control of the country’s oil reserves and assert its hegemony throughout the petroleum-rich Middle East. All the stated reasons—weapons of mass destruction, the Hussein regime’s ties with Al Qaeda, the establishment of democracy—have been exposed as falsehoods, and now, some five-and-a-half years later, the truth is emerging for all to see.

This is a potential embarrassment to the American ruling elite. Rep. Waxman makes clear that the brazenness of the Bush administration’s actions is a political problem: “The documents the Committee has received about Hunt Oil show that in matters involving Iraqi oil, official denials of knowledge and involvement can be misleading. This is a serious matter because of the widespread suspicion in Iraq and other nations that the United States went to war to gain access to Iraqi oil.”

As to why the State Department aided Hunt in Kurdistan, effectively undermining official policy in support of Iraqi “national unity,” the Bush administration is no doubt keeping all its options “on the table.” Washington is duplicitous in its dealings with the puppet regime in Baghdad, which it mistrusts and believes is too close to the Iranians, as it is with everyone else.

Voices have loudly been raised in favor of partition of the country, legal or de facto, and this policy has its backers in the administration. At the time of the Hunt deal signing last year, *New York Times* columnist Paul Krugman noted that Ray Hunt, “thanks to his policy position, is presumably as well-informed about the actual state of affairs in Iraq as anyone in the business world can be. By putting his money into a deal with the Kurds, despite Baghdad’s disapproval, he’s essentially betting that the Iraqi government ... won’t get its act together. Indeed, he’s effectively betting against the survival of Iraq as a nation in any meaningful sense of the term.

“The smart money, then, knows that the surge has failed, that the war is lost, and that Iraq is going the way of Yugoslavia. And I suspect that most people in the Bush administration—maybe even Mr. Bush himself—know this, too.”

Bush officials no doubt believe that there are various routes to the exploitation of Iraqi oil reserves. They are pressing for a national oil law, but see no difficulty in helping open up the Kurdish region to foreign predators in the meantime. Their policy is shortsighted and reckless, but this has been the character of the administration’s actions all along. The criminal plundering of Iraq’s natural resources, in the interest of the American corporate oligarchy, does not lend itself to rational, long-term planning.

Billions of dollars are at stake, and no doubt the administration did what it could to pass along some business to Hunt, a close political ally, whatever the ultimate consequences. A State Department official’s September 2007 email notes that when asked about “concerns over potential conflicts between the recently passed KRG hydrocarbon law and an [sic] national law,” Hunt’s McDonald said “the ‘significant opportunity’ outweighs the legal ambiguity.” Indeed.

It is worth noting that the Hunt name has a special political connotation.

The founder of the company, H.L. Hunt (1889-1974), Ray Hunt’s father, made a fortune in the oil industry in Texas. In 1957 *Fortune* magazine estimated that Hunt was worth \$400-700 million, making him one of the eight richest individuals in the US.

Hunt was a fanatical right-winger and anticommunist. In 1951, he launched the Gen. Douglas MacArthur for president campaign with a chunk of his own money. Later, with two of his sons, he set up a right-wing “intelligence network,” the International Committee for the Defense of Christian Culture.

Hunt was involved in various ultra-right activities, including anti-Castro operations, and was a member of the John Birch Society. He also apparently helped bankroll the career of Democratic President Lyndon B. Johnson.

Ray Hunt was appointed the finance chairman of the Republican National Committee’s Victory 2000 Committee. During that campaign he was designated one of the 241 Bush “Pioneers,” thanks to his raising more than \$100,000 in donations from his family. In 2004, Hunt and his wife donated \$190,000 to the Republican cause.

In addition to his seat on the Foreign Intelligence Advisory Board, Hunt serves as chairman of the Federal Reserve Bank of Dallas and is a member of the National Petroleum Council, which advises the president on energy policy. As noted above, Hunt also served on the board of Halliburton, the firm once headed by Vice President Dick Cheney.



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