

Iraqi Oil. Mission Accomplished for Big Oil?

How an American Disaster Paved the Way for Big Oil's Rise -- and Possible Fall -- in Iraq

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It was never exactly rocket science. You didn't have to be Einstein to figure it out. In early 2003, the Bush administration was visibly preparing to invade Iraq, a nation with a nasty ruler who himself hadn't hesitated to invade another country, Iran, in the early 1980s for no purpose except self-aggrandisement. (And the Reagan administration had [backed him](#) in that disastrous war because then, as now, Washington loathed the Iranians.) There was never the slightest evidence of the involvement of Saddam Hussein's regime in the 9/11 attacks or in support of al-Qaeda; and despite the Bush administration's [drumbeat](#) of supposed information about Saddam's nuclear program (which was said, somehow, to threaten to put [mushroom clouds](#) over American cities), the evidence was always, at best, beyond thin and at worst, a potage of lies, concoctions, and wishful thinking. The program, of course, proved nonexistent, but too late to matter.

There was only one reason to invade Iraq and it could be captured in a single word, "oil," even if George W. Bush and his top officials generally went out of their way to avoid mentioning it. (At one point, post-invasion, Deputy Secretary of Defense Paul Wolfowitz [did point out](#) that Iraq was indeed afloat "on a sea of oil.") Unfortunately, oil as a significant factor in invasion planning was considered far too simpleminded for the sophisticated pundits and reporters of the mainstream media. They were unimpressed by it even when, as the looting began in Baghdad, it turned out that U.S. troops only had orders to guard the [Oil Ministry](#) and Interior Ministry (which housed Saddam's dreaded secret police).

Mind you, far more than Iraqi oil was in the administration's crosshairs, though that country, with its then-crippled energy sector, was considered a giant oil reservoir just waiting for Big Oil to set it free. To conquer and [garrison](#) — "liberate" — Iraq would put the U.S. in a position of ultimate domination in the oil heartlands of the planet, or so thought the top officials of the Bush administration, a number of whom had been [in](#) or [associated with](#) the energy business before scaling the heights of Washington. As Dick Cheney [put it](#) to the Institute of Petroleum Engineers in 1999, when he was still running the energy company Halliburton, "The Middle East, with two thirds of the world's oil and the lowest cost, is still where the prize ultimately lies."

And the millions of protestors who took to the streets of the great cities (and small towns) of the planet in [unprecedented numbers](#) to oppose the coming invasion, waving signs [like](#) "No Blood for Oil!" "How did USA's oil get under Iraq's sand?" and "Don't trade lives for oil!" grasped perfectly well just what they had in mind — and more prescient still, they knew it would be a disaster. If only they had been listened to. Instead, they were generally dismissed in the mainstream media for their hopeless naïveté.

They were right. It was about oil (though not oil alone, given the over-determined nature of all events on this planet of ours), while so many of the sophisticated types as well as the geopolitical visionaries of the Bush administration proved dismally wrong, completely [mistaken](#) in their assessment of our world of energy and how it might be controlled. Now, more than eight years later, no one here even wants to think about Iraq and the [multi-trillion-dollar war](#) we fought there. Mission accomplished? You be the judge. Recent headlines [indicate](#) that the new Iraq is actually helping Iran evade the Obama administration's oil sanctions. Think of it as the grim geopolitical version of slapstick comedy.

As it happens, it took slightly longer than the disastrous invasion, occupation, and retreat from Iraq for a book to finally be published that actually focuses on oil as the pivotal commodity in America's debacle there. I'm talking about Greg Muttitt's new book, [Fuel on the Fire: Oil and Politics in Occupied Iraq](#). For all those of you who marched in the global streets, holding signs warning Bush and his cronies not to do it, this is the book that tells the story of just exactly how right you were. Tom

In 2011, after nearly nine years of war and occupation, U.S. troops finally left Iraq. In their place, Big Oil is now present in force and the country's oil output, crippled for decades, is growing again. Iraq [recently reclaimed](#) the number two position in the Organization of the Petroleum Exporting Countries (OPEC), overtaking oil-sanctioned Iran. Now, there's talk of a new world petroleum glut. So is this finally mission accomplished?

Well, not exactly. In fact, any oil company victory in Iraq is likely to prove as temporary as George W. Bush's triumph in 2003. The main reason is yet another of those stories the mainstream media didn't quite find room for: the role of Iraqi civil society. But before telling that story, let's look at what's happening to Iraqi oil today, and how we got from the "no blood for oil" global protests of 2003 to the present moment.

Here, as a start, is a little scorecard of what's gone on in Iraq since Big Oil arrived two and a half years ago: [corruption's](#) skyrocketed; two Western oil companies are being investigated for either [giving](#) or [receiving](#) bribes; the Iraqi government is [paying](#) oil companies a per-barrel fee according to wildly unrealistic production targets they've set, whether or not they deliver that number of barrels; contractors are heavily [over-charging](#) for drilling wells, which the companies don't mind since the Iraqi government picks up the tab.

Meanwhile, to protect the oil giants from dissent and protest, trade union offices have been [raided](#), computers seized and equipment smashed, leaders [arrested and prosecuted](#). And that's just in the oil-rich southern part of the country.

In Kurdistan in the north, the regional government [awards contracts](#) on land outside its jurisdiction, [contracts](#) which permit the government to transfer its stake in the oil projects — up to 25% — to private companies of its choice. Fuel is [smuggled](#) across the border to the tune of hundreds of tankers a day.

In Kurdistan, at least the approach is deliberate: the two ruling families of the region, the Barzanis and Talabanis, know that they can do whatever they like, since their Peshmerga militia control the territory. In contrast, the Iraqi federal government of Prime Minister Nouri al-Maliki has little control over anything. As a result, in the rest of the country the oil industry operates, gold-rush-style, in an almost complete absence of oversight or regulation.


Oil companies differ as to which of these two Iraqs they prefer to operate in. BP and Shell have opted to rush for black gold in the super-giant oilfields of southern Iraq. [Exxon](#) has hedged its bets by investing in both options. This summer, [Chevron](#) and the French oil company [Total](#) voted for the Kurdish approach, trading smaller oil fields for better terms and a bit more stability.

Keep in mind that the incapacity of the Iraqi government is hardly limited to the oil business: stagnation hangs over its every institution. Iraqis still have an average of just five hours of [electricity](#) a day, which in 130-degree heat causes tempers to boil over regularly. The country's two great rivers, the Tigris and Euphrates, which watered the cradle of civilization 5,000 years ago, are [drying up](#). This is largely due to the inability of the government to engage in effective regional diplomacy that would control upstream dam-building by Turkey.

After elections in 2010, the country's leading politicians couldn't even agree on how to form a government until the Iraqi Supreme Court [forced them to](#). This record of haplessness, along with rampant corruption, significant repression, and a revival of sectarianism can all be traced back to American decisions in the occupation years. Tragically, these persistent ills have manifested themselves in a recent spate of car-bombings and other bloody attacks.

Washington's Yen for Oil

In the period before and around the invasion, the Bush administration barely mentioned Iraqi oil, describing it reverently only as that country's "patrimony." As for the reasons for war, the administration insisted that it had barely noticed Iraq had one-tenth of the world's oil reserves. But my new book reveals [documents](#) I received, marked SECRET/NOFORN, that laid out for the first time pre-war oil plans hatched in the Pentagon by arch-neoconservative Douglas Feith's Energy Infrastructure Planning Group (EIPG).

 In November 2002, four months before the invasion, that planning group came up with a novel idea: it proposed that any American occupation authority not repair war damage to the country's oil infrastructure, as doing so "could discourage private sector involvement." In other words, it suggested that the landscape should be cleared of Iraq's homegrown oil industry to make room for Big Oil.

When the administration worried that this might disrupt oil markets, EIPG came up with a new strategy under which initial repairs would be carried out by KBR, a subsidiary of Halliburton. Long-term contracts with multinational companies, awarded by the U.S. occupation authority, would follow. International law notwithstanding, the EIPG documents noted cheerily that such an approach would put "long-term downward pressure on [the oil] price" and force "questions about Iraq's future relations with OPEC."

At the same time, the Pentagon planning group recommended that Washington state that its policy was "not to prejudice Iraq's future decisions regarding its oil development policies." Here, in writing, was the approach adopted in the years to come by the Bush administration and the occupation authorities: lie to the public while secretly planning to hand Iraq over to Big Oil.

There turned out, however, to be a small kink in the plan: the oil companies declined the American-awarded contracts, fearing that they would not stand up in international courts and so prove illegitimate. They wanted Iraq first to have an elected permanent government

that would arrive at the same results. The question then became how to get the required results with the Iraqis nominally in charge. The answer: install a friendly government and destroy the Iraqi oil industry.

In July 2003, the U.S. occupation established the Iraqi Governing Council, a quasi-governmental body led by friendly Iraqi exiles who had been out of the country for the previous few decades. They would be housed in an area of Baghdad isolated from the Iraqi population by concrete blast walls and machine gun towers, and dubbed the Green Zone. There, the politicians would feast, oblivious to and unconcerned with the suffering of the rest of the population.

The first post-invasion Oil Minister was Ibrahim Bahr al-Uloum, a man who held the country's homegrown oil expertise in open contempt. He quickly set about sacking the technicians and managers who had built the industry following nationalization in the 1970s and had kept it running through wars and sanctions. He replaced them with friends and fellow party members. One typical replacement was a former pizza chef.

The resulting damage to the oil industry exceeded anything caused by missiles and tanks. As a result the country found itself — as Washington had hoped — dependent on the expertise of foreign companies. Meanwhile, not only did the Coalition Provisional authority (CPA) that oversaw the occupation lose \$6.6 billion of Iraqi money, it effectively suggested corruption wasn't something to worry about. A December 2003 CPA [policy document](#) recommended that Iraq follow the lead of Azerbaijan, where the government had attracted oil multinationals despite an atmosphere of staggering corruption (“less attractive governance”) simply by offering highly profitable deals.

Now, so many years later, the corruption is all-pervasive and the multinationals continue to operate without oversight, since the country's ministry is run by the equivalent of pizza chefs.

The first permanent government was formed under Prime Minister Maliki in May 2006. In the preceding months, the American and British governments made sure the candidates for prime minister knew what their first priority had to be: to pass a law legalizing the return of the foreign multinationals — tossed out of the country in the 1970s — to run the oil sector.

The law was drafted within weeks, dutifully shown to U.S. officials within days, and [to oil multinationals](#) not long after. Members of the Iraqi parliament, however, had to wait seven months to see the text.

How Temporary the Victory of Big Oil?

The trouble was: getting it through that parliament proved far more difficult than Washington or its officials in Iraq had anticipated. In January 2007, an impatient President Bush announced a “surge” of 30,000 U.S. troops into the country, by then wracked by a bloody civil war. Compliant journalists accepted the story of a [gamble](#) by General David Petraeus to bring peace to warring Iraqis.

In fact, those troops spearheaded a [strategy](#) with rather less altruistic objectives: first, broker a [new political deal](#) among U.S. allies, who were the most sectarian and corrupt of Iraq's politicians (hence, with the irony characteristic of American foreign policy, regularly described as “moderates”); second, [pressure](#) them to deliver on political objectives set in

Washington and known as “benchmarks” — of which passing the oil law was the only one ever really talked about: in President Bush’s biweekly [video conferences](#) with Maliki, in almost daily meetings of the U.S. ambassador in Baghdad, and in frequent visits by senior administration officials.

On this issue, the Democrats, by then increasingly against the Iraq War but still pro-Big Oil, lent a helping hand to a Republican administration. Having failed to end the war, the newly Democrat-controlled Congress passed an [appropriations bill](#) that would cut off reconstruction funds to Iraq if the oil law weren’t passed. [Generals warned](#) that without an oil law Prime Minister Maliki would lose their support, which he [knew well](#) would mean losing his job. And to ramp up the pressure further, the U.S. set a deadline of September 2007 to pass the law or face the consequences.

It was then that things started going really wrong for Bush and company. In December 2006, I was at a [meeting](#) where leaders of Iraq’s trade unions decided to fight the oil law. One of them summed up the general sentiment this way: “We do not need thieves to take us back to the middle ages.” So they began organizing. They printed pamphlets, held [public meetings](#) and conferences, staged [protests](#), and watched support for their movement grow.

Most Iraqis feel strongly that the country’s oil reserves belong in the public sector, to be developed to benefit them, not foreign energy companies. And so word spread fast — and with it, popular anger. [Iraq’s oil professionals](#) and various civil society groups denounced the law. Preachers railed against it in Friday sermons. Demonstrations were held in Baghdad and elsewhere, and as Washington ratcheted up the pressure, members of the Iraqi parliament started to see political opportunity in aligning themselves with this ever more popular cause. Even some U.S. allies in Parliament confided in diplomats at the American embassy that it would be political suicide to vote for the law.

By the September deadline, a majority of the parliament was against the law and — a remarkable victory for the trade unions — it was not passed. It’s still not passed today.

Given the political capital the Bush administration had invested in the passage of the oil law, its failure offered Iraqis a glimpse of the limits of U.S. power, and from that moment on, Washington’s influence began to wane.

Things changed again in 2009 when the Maliki government, eager for oil revenues, began awarding contracts to them even without an oil law in place. As a result, however, the victory of Big Oil is likely to be a temporary one: the present contracts are illegal, and so they will last only as long as there’s a government in Baghdad that supports them.

This helps explain why the government’s repression of trade unions [increased](#) once the contracts were signed. Now, Iraq is showing signs of a more general [return to authoritarianism](#) (as well as internecine [violence](#) and possibly renewed sectarian conflict).

But there is another possibility for Iraq. Years before the Arab Spring, I saw what Iraqi civil society can achieve by organizing: it stopped the world’s superpower from reaching its main objective and steered Iraq onto a more positive course.

Many times since 2003 Iraqis have moved their country in a more democratic direction: establishing trade unions in that year, building Shi’a-Sunni connections in 2004, promoting

anti-sectarian politicians in 2007 and 2008, and voting for them in 2009. Sadly, each of these times Washington has pushed it back toward sectarianism, the atmosphere in which its allies thrive. While mainstream commentators now regularly blame the recent escalation of violence on the departure of U.S. troops, it would be more accurate to say that the real reason is they didn't leave far sooner.

Now, without its troops and bases, much of Washington's political heft has vanished. Whether Iraq heads in the direction of dictatorship, sectarianism, or democracy remains to be seen, but if Iraqis again start to build a more democratic future, the U.S. will no longer be there to obstruct it. Meanwhile, if a new politics does emerge, Big Oil may discover that, in the end, it was mission unaccomplished.

Greg Muttitt is the author of [Fuel on the Fire: Oil and Politics in Occupied Iraq](#) (New Press), just published, and described by Naomi Klein as "nothing short of a secret history of the war." Since 2003, he has worked with Iraqi trade unions campaigning against the privatization of Iraq's oil, most of that time as co-director of the British charity Platform.

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