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U.S.-tailored Iraqi Oil Alarm for Producers, Consumers

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While the Iraqis were busy counting their death toll of more than 650,000 since March 2003, the United Nations busy counting their dead of more than 34,000 in 2006 only, the Pentagon counting more than 3,070 American deaths and the U.S. treasury counting more than $600 billion of taxpayer money spent so far in Iraq , stealthily and suddenly the U.S. occupation's oil prize rang louder than the war drums to alert the regional oil producers as well as the major world consumers to guard against the looming threat coming out of Iraq.

After listening to the monotonous and incredible U.S. lies for four years about "we are not there for Iraq 's oil," the oil truth is now unfolding. Without a decisive military victory, the U.S. occupation of Iraq seems to be about to grab its oil prize by establishing a new sharing arrangement between a major national producer and the multi-national giants, an arrangement that Washington plans to set as the model to be followed both by the oil-rich region and the world at large.

This prize has been the dream of the successive U.S. administrations; on January 18, it came one step closer to reality when Iraq 's Oil Committee approved the new draft hydrocarbon law, sent it to the cabinet within a week and, when approved, will go to the parliament immediately thereafter.

The early draft of the law was prepared by BearingPoint American consultants, hired by the Bush administration, and sent to the White House and major western petroleum corporations in July, and then to the International Monetary Fund two months later, while most Iraqi legislators and public remained in the dark.

The approved production-sharing agreements (PSAs) favor investing foreign oil companies with 70 percent of oil revenue to recoup their initial outlay, then companies can reap 20 percent of the profit without any tax or other restrictions on their transfers abroad.

Iraqi Oil File Opened

Several indicators have surfaced recently that point to bringing the oil factor in Iraq back from the back burner to the forefront of the public eye. The first has been Ankara 's escalating drive to block the control of the northern Iraqi oil city of Kirkuk by the Iraqi Kurds, lest Kirkuk 's lucrative oil would be used to fund a bid for secession from Iraq that could encourage separatist Kurdish guerrillas in Turkey herself.

The second indicator is Iraq 's push forward on oil developments with Iran and Kuwait to determine control in the future of the cross-border oil fields, according to the Kuwait Times. Cross-border oil fields were contested and have been a cause of friction poisoning Iraq 's relations with its eastern and southern neighbors.

A third indicator that the Iraqi oil file is being wide opened is the Iraqi – Syrian negotiations on the sidelines of the latest visit to Damascus by Iraqi President Jalal Talabani to reopen the oil pipeline between the northern Iraqi city of Kirkuk and the Syrian coastal town of Banyas on the Mediterranean. This pipeline was reopened in 1997 and drew U.S. disapproval; American air strikes damaged the Iraqi side of the pipeline at the start of the U.S.-led invasion. Since then Washington was reported to favor reopening a Kirkuk-Haifa oil pipeline via Jordan , which was shut down after the creation of Israel in 1948.

However the new Iraqi draft hydrocarbon law, if passed by the Iraqi parliament, would be a milestone not only to judge the U.S.-British invasion of Iraq as a success or a failure, but would more importantly determine the future network of relations between the oil-producing countries and the multi-national oil giants, to the detriment of the major consumers who will be held hostage to the whims of the American holder of the key to Middle Eastern vital oil resources.

President George W. Bush in his “new Strategy” speech on January 10 sounded ambiguous and elusive in his definition of the success he is hunting in Iraq . “A successful strategy for Iraq goes beyond military operations,” he said, adding: “Victory … in Iraq will bring something new in the Arab world.” Bush stopped short of explicitly defining success and victory as economic in framework that has an oil breakthrough at its core.

In his speech Bush referred only briefly twice to oil. A failure of the U.S. in Iraq would enable the “Radical Islamic extremists” to “use oil revenues … to topple moderate governments” across the region, he warned, and announced that “Iraq will pass legislation to share oil revenues among all Iraqis,” without even a hint to any U.S. interest, because he was very well aware of the hornet nest he would unleash had he prematurely even hinted to his oil prize.

Republican-Democratic Consensus

The Republican-Democratic electoral wrangling, no matter how ferocious it was or would become over internal issues, could not overlap a “red line” consensus on never compromising the U.S. national oil strategic interests, which both parties are determined to defend regardless of how much American or non-American blood would spill in their defense.

The bipartisan Iraq Study Group Report articulated that consensus concisely in a straightforward language. It is noteworthy that Bush who ignored the essential recommendations of this report had selectively adopted recommendations 62 and 63. Recommendation 63 stipulates the US should “assist” Iraqi leaders in privatizing the national oil industry into a “commercial enterprise” to encourage investment by the multi-national oil companies.

Recommendation 62 urges the US government to help draft an Iraqi oil law that “creates a fiscal and legal framework for investment” and, in conjunction with the International Monetary Fund [IMF], to “press Iraq to continue reducing subsidies in the energy sector…until Iraqis pay market prices for oil products.” The James Baker – Lee Hamilton Report proposes to make everyday life harder for average Iraqis so that the U.S. oil industry profits.

The Bush administration, even before the 2003 invasion, planned to pass a new oil law for Iraq that would turn its nationalized oil system over to private foreign corporate control. Months after the US invasion of Iraq it was revealed that control of Iraq 's oil fields was one of the chief issues discussed in Vice President Dick Cheney's Energy Task Force meeting with oil executives in 2001.

Bush made his first public demand of the Iraqi government to pass the oil law in December. Secretary of State Condoleezza Rice, U.S. ambassador to Iraq Zalmay Khalilzad and General George W. Casey Jr., the senior American commander in Iraq , repeated the same demand. In July last year, Energy Secretary Sam Bodman announced in Baghdad that senior U.S. oil company executives would not enter Iraq without passage of the new law. Petroleum Economist magazine later reported that U.S. oil companies put passage of the oil law before security concerns as the deciding factor over their entry into Iraq. Passing an oil law has been also a key demand of the United States in providing further military support to Baghdad 's "national unity government."

Iraqis in the Dark

This law has been in the works even months before the invasion, when the Bush Administration brought in Phillip Carroll, former CEO of both Shell and Fluor, to devise "contingency plans" to pump the Iraqi oil after the invasion; Carroll was made later the head of the American "advisory committee" overseeing the oil industry of the conquered land.

The U.S. , the IMF and the major oil giants are using fear to pursue their agenda of privatizing and selling off Iraq 's oil resources. They are taking advantage of an occupied, war-ravaged and internally divided nation to get control over as much oil as possible, on the best possible terms, and to get what they were denied before the war or at anytime in modern Iraqi history: Access to Iraq's oil under the ground, Iraqi academic and senior lecturer in Middle East economics at the University of Exeter, Kamil Mahdi, wrote recently.

Most Iraqis remain in the dark about the new oil law. Iraq 's oil workers had to travel to Jordan to learn details of the law from the London-based research organization Platform. As a result, five Iraqi trade union federations released a public statement rejecting "the handing of control over oil to foreign companies, whose aim is to make big profits at the expense of the Iraqi people, and to rob the national wealth, according to long-term, unfair contracts, that undermine the sovereignty of the state and the dignity of the Iraqi people." The statement added that this was a "red line" they would not allow to be crossed.

Washington has been unsuccessfully trying to camouflage her oil prize in Iraq since its invasion in 2003 and similarly she can hardly now smokescreen the oil factor in her escalating crisis with Iran . "Weapons of mass destruction" or "links to Al Qaeda" were not the true reasons for the U.S.-British invasion of Iraq as much as the real reason for the present U.S.-Iran crisis is not about Iran 's "nukes." In both cases regime change was the goal, which if achieved could give Washington an access to almost 20 percent of the world's proven Iraqi and Iranian oil reserves, respectively the third and fourth largest in the world.

Iran the Next Target

Iraqi and Iranian oil reserves are targeted per se, but clinching these assets out of national decision-making would also give Washington control over about 60 percent of the world's conventional oil reserves located in essentially five countries in the Arabian Gulf region (described officially by Iran as "Persian"). Iran's close proximity to these major oil resources and her balancing power in controlling access to them have made her the second major obstacle after Iraq that could block any U.S. strategic drive to gain control over them. In 2003, about 90% of oil exported from the Gulf transited by tanker through the Strait of Hormuz, located between Oman and Iran .

The Iraqi bill would allow for the first foreign exploitation of Iraqi oil reserves since the industry was nationalized in 1972. The introduction of PSAs would also be a first in the Middle East . Washington wants the Iraqi law to be the rule that has to apply across the oil-rich region as well as worldwide. Most members of the Organization of Petroleum Exporting Countries (OPEC) nationally control their oil industries through state-owned companies with no appreciable foreign collaboration.

Such an arrangement was impossible to pass through during the bi-polar world order, but has become possible following the collapse of the former USSR if the American uni-polar power could rein in the remnants of the ruling national liberation movements, or could topple them. Within this context only can the invasion and occupation of Iraq as well as the U.S.-Iranian current crisis be perceived. Since 1972 and 1979 respectively the U.S. was denied the banana-republics-styled free hand over Iraqi and Iranian oil assets. Iraq was invaded and occupied while a regime change that would secure U.S. control is still in the works. Meanwhile Iran is being pressured and threatened with more sanctions and a military U.S. strike to change the regime in Tehran .

The more vulnerable regional oil producers, as well as their counterparts in central Asia, would be wiser to do their best not to allow the draft Iraqi law to pass to be the future yardstick to determine their relations with the multi-national oil giants, and to pre-empt a political and military environment synonymous to the one prevailing now in Iraq to be copied in Iran, which would inevitably lead to a gradual erosion or abrupt end to their beneficial current arrangements.

Voluntarily or grudgingly getting along with Bush's old or "new" strategies, would never spare them. They should reconsider because Iraq was the first target and they are the next targets; Iran also should reconsider in Iraq because she is "the" next target.

Major oil consumers in China, Japan and Europe should also be alerted to avert a possible U.S. suffocating monopoly or hegemony on oil resources at a time their as well as the American demand for oil is on the rise; their economic competition or cooperation with the U.S. will only be adversely compromised by Washington's grip on the vital mineral that is driving their industrial economies.

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