

What Unites Iraqis: Blocking Western Petroleum Companies From Seizing Control of Their Oil

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If passed, the Bush administration's long-sought "hydrocarbons framework" law would give Big Oil access to Iraq's vast energy reserves on the most advantageous terms and with virtually no regulation. Meanwhile, a parallel law carving up the country's oil revenues threatens to set off a fresh wave of conflict in the shell-shocked country.

Subhi al-Badri, head of the Iraqi Federation of Union Councils, said last month that the "law is a bomb that may kill everyone." Iraq's oil "does not belong to any certain side," he said, "it belongs to all future generations." But Washington continues to push that bomb onto the Iraqi people, calling it a vital benchmark on the road to a fully sovereign Iraq. Democratic Rep. Dennis Kucinich of Ohio accused his own party of "promoting" President Bush's effort to privatize Iraq's oil "under the guise of a reconciliation program."

As is the norm, nobody bothered to ask Iraqis what they thought of the controversy until recently, when a coalition of NGOs and other civil society groups commissioned a poll (PDF) to gauge Iraqis' reaction to the proposed legislation. It found that Iraqis from all ethnic and sectarian groups and across the political spectrum oppose the principles enshrined in the laws. Considering the multiethnic bloodbath we've witnessed over the past four years, it's an impressive display of Iraqi solidarity.

The package of oil laws represent one of the clearest examples of a dynamic that's fueled much of the country's political instability but is rarely discussed in the commercial media. While the war's advocates continue to sell the occupation of Iraq as part of a grand scheme to democratize the region, anything resembling true Iraqi democracy is in fact a tremendous threat to U.S. interests. The law, after all, was not designed with Iraqis' prosperity in mind; plans for throwing the country's oil sector open to (almost) unregulated foreign investment were hashed out by a State Department working group that included major players from the oil industry long before the planning for the invasion itself. These plans were discussed in the White House (under the guidance of Dick Cheney) before that — even before the attacks of 9/11.

The framework law — from what we know from a series of leaked drafts — will hand over effective control of as much as 80 percent of the country's oil wealth to foreign firms with minimal state participation. According to an analysis by the oil watchdog group Platform, Iraq stands to lose tens of billions of dollars in potential revenues under the contract terms being considered.

The administration claims that offering such lucrative terms is necessary given the dire need for investment in Iraq's war-torn oil infrastructure, but those investments could just as easily

be made out of Iraq's existing operating budget or financed through loans — despite the chaos on the ground, Iraq's massive energy reserves would be more than enough collateral for even the strictest lenders.

So while most oil-producing states are moving toward more state control of their energy sectors — according to the Washington Post, “about 77 percent of the world's 1.1 trillion barrels in proven oil reserves is controlled by governments that significantly restrict access to international companies” — Iraqi lawmakers are under enormous pressure to go in the opposite direction. (See here for a detailed critique of the framework law.)

It should come as no surprise that Iraqis overwhelmingly reject this arrangement. According to the poll of 2,200 Iraqis released this week, almost two-thirds of Iraqis said they would prefer “Iraq's oil to be developed and produced by Iraqi state-owned companies” over foreign companies. Less than a third favored foreign control — less than the number who expressed a “strong preference” for the sector to remain under state control.

The findings cut across the divisions that have haunted the post-war occupation: 52 percent of Kurds, 62 percent of Sunni Arabs and 66 percent of Shia Arabs favored state control. Significant majorities in every metropolitan area and every region of the divided country agreed.

Opposition to the privatization scheme that U.S. lawmakers have pushed for with such zeal is reflected, too, in the Iraqi parliament, where a growing number of lawmakers have come out in opposition to the oil laws.

So, too have many experts in the field, including some of the technocrats who originally drafted the laws. Tariq Shafiq, one of the co-authors of the original version of the legislation, told UPI's Ben Lando that “the version penned by oil experts has been compromised by politics,” and that he “no longer wants it approved.” Farouk al- Qassem, another expert who worked on the original draft, came out against it earlier. “I think really the majority of the oil technocrats are against it,” Shafiq told Lando.

There's evidence to support that statement; last month, more than 100 Iraqi oil experts, economists and legal scholars criticized the proposed legislation and urged the Iraqi parliament to put it on hold.

The most vocal opposition to the oil framework has come from Iraq's influential oil workers' unions. Hassan Jumaa Awaad, president of the Iraqi Oil Workers union, called the proposed hydrocarbon laws “more political than economic” and “unbalanced and incoherent,” and said they threatened “to set governorate against governorate and region against region.” Iraq's oil unions have threatened to “mutiny” if the law is passed as drafted.

In favor of the laws are the multinational energy companies who stand to gain tens of billions more profits in Iraq than they could expect from any other major oil producer's reserves. They're supported by Iraqi separatists — especially Shias in the South and Northern Kurds — who want control over the country's oil to rest in the hands of the regional authorities they dominate. They include Iraq's prime minister, Nouri Al-Maliki, and its president, Jalal Talabani.

Faced with such broad and intense opposition to a set of laws that were effectively crafted in Washington, London and Houston, the Iraqi government and the U.S. authorities in

Baghdad have kept Iraqis in the dark over the details of the proposed legislation, brought all manner of pressure on lawmakers and, when that failed, used heavy-handed coercion to move the legislation forward.

According to the poll released this week, more than three out of four Iraqis — including nine of 10 Sunni Arabs — say “the level of information provided by the Iraqi government on this law” was not adequate for them to “feel informed” about the issue. Only 4 percent of Iraqis feel they’ve been given “totally adequate” information about the oil law.

But enough people did learn of the law and specifically its call for the use of “Production Service Agreements” (PSAs) — the onerous contract form favored by the United States and Big Oil — to elicit outrage among the Iraqi people. The Iraqi regime responded by renaming the long-term contracts “Exploration and Risk Contracts” (ERCs). According to Hands Off Iraqi Oil, a coalition of civil society groups, ERCs are “the equivalent of PSAs under a different name.”

It’s not just Iraqi citizens who have been kept in the dark; Raed Jarrar, an Iraq analyst with the American Friends Service Committee (and my frequent writing partner), has called Iraqi lawmakers to get a reaction to the draft legislation, only to be asked if he would send them a copy to review. According to Greg Muttit, an analyst with Platform, by the time Iraq’s parliamentarians saw their first draft of the oil law, it had already been reviewed and commented on by U.S. Energy Secretary Sam Bodman, who “arranged” for nine major oil companies, including Shell, BP, ExxonMobil, ChevronTexaco and ConocoPhillips, to “comment on the draft.”

The regime in Baghdad, under pressure from Washington, has responded to opposition to the law in a profoundly undemocratic fashion. In May, Hassan Al-Shammari, the head of Al-Fadhila bloc in the Iraqi parliament, told AlterNet: “We’re afraid the U.S. will make us pass this new oil law through intimidation and threatening. We don’t want it to pass, and we know it’ll make things worse, but we’re afraid to rise up and block it, because we don’t want to be bombed and arrested the next day.” Armed Iraqi troops have faced down peaceful strikes called by the unions and arrested labor leaders who oppose the legislation. Last week, the Iraqi oil ministry directed “its agencies and departments not to deal with the country’s oil unions” at all.

At this point, progress on the oil laws is stalled in Baghdad. The Kurds this week passed their own legislation, setting up what has the potential to become a whole new front in Iraq’s multifaceted civil conflict. Senior Kurdish officials — most of whom are separatists — have vowed to block any legislation that doesn’t include extensive regional autonomy over oil contracting, an issue opposed by most Iraqis and a serious problem for Iraqi nationalists.

Ultimately, the turmoil around Iraq’s oil is a result of commercial interests being placed before the interests of the Iraqi people by an administration that routinely privileges its “free-market” ideology over common sense. Historians will no doubt note the great irony of Iraq’s proposed oil law: What is considered a prerequisite for stability in Washington in fact threatens to tear the country further apart.

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