

It's Still About Oil in Iraq

By Antonia Juhasz The Los Angeles Times Friday 08 December 2006

A centerpiece of the Iraq Study Group's report is its advocacy for securing foreign companies' long-term access to Iraqi oil fields.

While the Bush administration, the media and nearly all the Democrats still refuse to explain the war in Iraq in terms of oil, the ever-pragmatic members of the Iraq Study Group share no such reticence.

Page 1, Chapter 1 of the Iraq Study Group report lays out Iraq's importance to its region, the U.S. and the world with this reminder: "It has the world's second-largest known oil reserves." The group then proceeds to give very specific and radical recommendations as to what the United States should do to secure those reserves. If the proposals are followed, Iraq's national oil industry will be commercialized and opened to foreign firms.

The report makes visible to everyone the elephant in the room: that we are fighting, killing and dying in a war for oil. It states in plain language that the U.S. government should use every tool at its disposal to ensure that American oil interests and those of its corporations are met.

It's spelled out in Recommendation No. 63, which calls on the U.S. to "assist Iraqi leaders to reorganize the national oil industry as a commercial enterprise" and to "encourage investment in Iraq's oil sector by the international community and by international energy companies." This recommendation would turn Iraq's nationalized oil industry into a commercial entity that could be partly or fully privatized by foreign firms.

This is an echo of calls made before and immediately after the invasion of Iraq.

The U.S. State Department's Oil and Energy Working Group, meeting between December 2002 and April 2003, also said that Iraq "should be opened to international oil companies as quickly as possible after the war." Its preferred method of privatization was a form of oil contract called a production-sharing agreement. These agreements are preferred by the oil industry but rejected by all the top oil producers in the Middle East because they grant greater control and more profits to the companies than the governments. The Heritage Foundation also released a report in March 2003 calling for the full privatization of Iraq's oil sector. One representative of the foundation, Edwin Meese III, is a member of the Iraq Study Group. Another, James J. Carafano, assisted in the study group's work.

For any degree of oil privatization to take place, and for it to apply to all the country's oil fields, Iraq has to amend its constitution and pass a new national oil law. The constitution is ambiguous as to whether control over future revenues from as-yet-undeveloped oil fields should be shared among its provinces or held and distributed by the central government.

This is a crucial issue, with trillions of dollars at stake, because only 17 of Iraq's 80 known oil fields have been developed. Recommendation No. 26 of the Iraq Study Group calls for a review of the constitution to be "pursued on an urgent basis." Recommendation No. 28 calls for putting control of Iraq's oil revenues in the hands of the central government. Recommendation No. 63 also calls on the U.S. government to "provide technical assistance to the Iraqi government to prepare a draft oil law."

This last step is already underway. The Bush administration hired the consultancy firm BearingPoint more than a year ago to advise the Iraqi Oil Ministry on drafting and passing a new national oil law.

Plans for this new law were first made public at a news conference in late 2004 in Washington. Flanked by State Department officials, Iraqi Finance Minister Adel Abdul Mahdi (who is now vice president) explained how this law would open Iraq's oil industry to private foreign investment. This, in turn, would be "very promising to the American investors and to American enterprise, certainly to oil companies." The law would implement production-sharing agreements.

Much to the deep frustration of the U.S. government and American oil companies, that law has still not been

passed.

In July, U.S. Energy Secretary Samuel Bodman announced in Baghdad that oil executives told him that their companies would not enter Iraq without passage of the new oil law. Petroleum Economist magazine later reported that U.S. oil companies considered passage of the new oil law more important than increased security when deciding whether to go into business in Iraq.

The Iraq Study Group report states that continuing military, political and economic support is contingent upon Iraq's government meeting certain undefined "milestones." It's apparent that these milestones are embedded in the report itself.

Further, the Iraq Study Group would commit U.S. troops to Iraq for several more years to, among other duties, provide security for Iraq's oil infrastructure. Finally, the report unequivocally declares that the 79 total recommendations "are comprehensive and need to be implemented in a coordinated fashion. They should not be separated or carried out in isolation."

All told, the Iraq Study Group has simply made the case for extending the war until foreign oil companies - presumably American ones - have guaranteed legal access to all of Iraq's oil fields and until they are assured the best legal and financial terms possible.

We can thank the Iraq Study Group for making its case publicly. It is now our turn to decide if we wish to spill more blood for oil.

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