

## Editorial

# Surging for Oil

The year 2007 opened with a raging dispute on the implementation of the decision of President George Bush to send more than twenty thousand additional troops to join the slaughter in Iraq. Already American fatalities had numbered more than three thousand, and the Iraqi civilian casualties of the war filled hecatombs. According to the Iraqi Interior Ministry, one thousand nine hundred and thirty perished in December alone, although the figures are the subject of some controversy. The *Financial Times*, for instance, claims that the December figure 'may be a significant underestimate'.

Iraqi oil had been public property for decades before the outbreak of the present war. When that war was engineered, the British Prime Minister went to the House of Commons on the 18<sup>th</sup> March 2003 to propose support for it.

'Oil revenues, which people falsely claim that we want to seize, should be put in a trust fund for the Iraqi people administered through the UN', he asserted. 'The United Kingdom should seek a new Security Council Resolution that would affirm the use of all oil revenues for the benefit of the Iraqi people.'

Such promises from Mr. Blair must always be taken with a modest amount of salt. This one lasted no more than a couple of months before it went the way of Clause IV. In May 2003, the British joined the Americans in sponsoring a Security Council Resolution giving the United States and the United Kingdom control over Iraqi oil revenues so that they could continue the payment of compensation for the invasion of Kuwait in 1990.

Meantime, behind the stairs a company called BearingPoint, which had contributed more than any other Iraq contractor to Bush election campaigns, was helping in the reshaping of the Iraqi oil industry, already reduced to a shadow of itself by war and subsequent acts of guerrilla harassment, or even banditry. One BearingPoint employee had been given an office in the massive US Embassy in Baghdad, and charged with advising the Iraqi Ministry of Oil on the drafting of a new hydrocarbon law. A suitably large retinue of well-placed officials were in attendance. This law has the objective of legitimising western oil companies when they seek a large share of profits from the Iraqi oil fields.

The new law will seek to avoid the stigma of 'privatisation' by insisting that the legal ownership of reserves will not be affected by the contingent steps that are proposed to govern and control the exploitation of those reserves. The new law which is being promoted is based upon the concept of Production Sharing Agreements (PSAs) which came into being in the 1960s. Technically these keep the ownership of the reserves in State hands, while practically affording control of their exploitation to the oil companies with which the contracts are agreed. PSAs are carefully shrouded in commercial confidentiality, and liable to imprison Governments for decades in terms which will remain unalterable for their duration. Naturally it is easier to conclude such one-sided agreements when the

new Government is subservient, enfeebled or divided. An important provision will stipulate that any disputes are heard in International Investment Tribunals, not subject to past or future Iraqi national laws.

The US State Department proposed that PSAs be inaugurated, even before the invasion of 2003 had been launched.

It is alleged by officials of the occupation that PSAs could normally govern the oil industry, in order to finance its development. But the International Energy Agency tells us that only some twelve per cent of world oil reserves are governed by PSAs, in countries with small oil fields (sometimes off-shore) where production costs are high, and there is a degree of uncertainty about the prospects. Middle Eastern countries have not generally used PSAs. Russia did during the turmoil of the Yeltsin years and has been regretting it ever since.

On January 16<sup>th</sup> 2007 the final draft of this oil law was agreed by the Oil Committee established in the Iraqi Oil Ministry with a little help from its friends. It sets out the rules for the sharing of revenue, increasing production and regulating foreign investment throughout the oil sector of Iraq. It seeks to establish a federal committee (led by the Prime Minister in Baghdad) to superintend all future contracts, and to review existing deals which had been concluded by the Saddam regime, and also separately by the Kurdish Regional Government. This legislation would establish central control over the consequent oil revenues, and regulate their distribution to the various regions of Iraq.

But a draft law cannot settle the continuing arguments between the different regions of Iraq. The Kurds told the world's press that they were not satisfied with the draft, and that a number of issues remained unresolved. 'The Ministry of Oil statement is unfortunately premature'. The draft legislation includes a number of annexes which apparently remain strongly disputed. The Sunni regions of Iraq are famously oil-poor, so that a major object in the settlement of the argument over revenue distribution would be to assuage Sunni complaints. It is not known how this imperative can be tackled. Ferocious arguments between the Kurds and the Shia are also quite evident, and quite unresolved.

Who shall sign contracts with the oil companies? Must it be the central Government in Baghdad, or can the function be devolved to local powers? This reopens arguments which had already been aired in initial debate about the Iraqi constitution itself. Now, all have been reborn in more naked, carnivorous shapes. For these reasons, outside commentators have been extremely agnostic about whether the new draft law can be anything more than the most tentative of opening gambits. Will it survive the Al-Maliki Government? Will that Government itself survive George Bush's military surge against the Mahdi army and others he finds inconvenient?

Before the oil majors can pump Iraq's wealth away with relative impunity, they need the legal fiction of the new hydrocarbon law. Without this, the expropriation of occupied Iraq's resources will be strictly illegal. But before any pretence of legality can be feigned, the Iraqi Parliament has to overcome its internecine feuds for long enough to vote the measure through, and that with some speed, before the

ferocious surge of American protection splits everyone in Mesopotamia asunder.

In early January 2007, although the hydrocarbon law was nearing the point at which it was supposed to be ratified, numerous Iraqi Members of Parliament claimed that they had not yet seen it. The leaders of five Iraqi trade union federations met in Amman to consider what was known about this measure. Evidently it is designed to enable foreign companies to invest in the oil sector, and to offer them very favourable terms. The draft law apparently specifies that as much as two-thirds of Iraq's known oil capacity will be developed by major multinationals, who will be offered contracts lasting for fifteen or twenty years. Such a decision would mark a rupture with the oil industry policy in Iraq, which has kept the industry in the public sector for more than thirty years in conformity with the practice in most other countries in the Middle East.

The five major trade unions (which represent hundreds of thousands of workers) have rejected

'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 new law has been considered important enough to figure in the Baker-Hamilton Iraq Study Group Report, and to receive specific endorsement from the American Ambassador to Iraq, Zalmay Khalilzad, who described it as a 'milestone' in Iraqi progress.

The Iraqi unions were not impressed by these official proclamations. They complained that the new law would 'benefit foreign investors more than it would benefit Iraqi workers'.

This legislation was framed in active consultation with the International Monetary Fund (in September), and with the United States Government and major oil companies (in July). It has profited from a wealth of exploitative experience so that it provides that any disputes with foreign companies must ultimately be settled by international arbitration. The protection of oil fields and pipelines will be financed by Iraqi Government funds, but will undoubtedly draw on the expert services of American military contractors.

Whilst these dark matters were emerging into the light of day, the preparations for George Bush's 'surge' were remorselessly advancing. On the 29<sup>th</sup> January, Al Jazeera reported that hundreds of people had been killed near the city of Najaf. The Iraqi army had engaged what was allegedly an armed Muslim cult. When the Iraqi forces were outgunned and outfought, they called in the Americans, who 'took control of the operation on Sunday (28<sup>th</sup> January) and continued bombing the area until well after dawn on Monday. A helicopter was shot down, and two Americans were killed'. Reuters reported Colonel Ali Nomas as saying that 'three hundred to three hundred and fifty armed men had been killed in the operation, and dozens more arrested'. Subsequent news reports provided a striking testimony to the power of the military imagination. Those killed were variously alleged to be

'religious fanatics', bent on the slaughter of Shiite clerics. They were also described as Saddamists, and Afghans, infiltrated as pilgrims. The Iraqi Government claimed a smaller number of casualties, 'between two hundred and three hundred'. They claim that women and children might have been caught up in the fighting and might thus figure among the casualties. 'All those people not killed were in detention, many of them wounded'. Other reports have claimed that the victims of this slaughter had come from Iran, whilst still others insisted that they were hostile to the Iranians.

When the smoke of battle subsides, perhaps we shall discover what it was really about. One thing is already clear: this was a powerful and remorseless offensive, generating a considerable slaughter. The 'surge' which is being prepared is advertised as threatening militia forces which have been sheltered under the wings of the Iraqi Government, but which are alleged to be beyond its influence. Such militias are clearly greatly more powerful than the 'Soldiers of Heaven', of which no-one had heard before the trial run in the killing fields of Najaf.

The American administration is already speculating about the possibility that the followers of Muqtada al-Sadr may have fled, en masse, to Iran, where it will be more difficult for the surge to kill them. Evidently it is anticipated that rather a lot of killing is to be expected. Were the followers of Muqtada al-Sadr to vote against the oil law? If so, might its passage not be eased by their departure from the scene? Evidently the American President is unwilling to cut his losses in Iraq before the future of the oil companies is assured. And almost equally evidently he has nurtured a high level of agnosticism about the permanence of the democracy upon which he relies to give him his hydrocarbon law. There are days when we can be forgiven for thinking that perhaps the much-vaunted Iraqi ground-breaking engagement with democracy will have fulfilled its purposes once the oil law is securely enacted.

The military surge

'will be accomplished largely by deploying troops sooner than was previously planned, and by lengthening the deployment of forces already in the Iraq theatre. The increase in force levels has already begun and is expected to reach its peak of about twenty thousand additional combat personnel in May.'

But the Congressional Budget Office has pointed out that these figures apply only to combat units, which also require substantial back-up forces. These include headquarters staff, military police, and service professionals in communications, contracting, engineering, intelligence and medical activities. This entails an additional support force of something like twenty-eight thousand, in addition to the actual combat personnel. There do exist alternative estimates which put the support levels required at as many as thirty-five thousand.

None of this has offered calculations about the deployment which might be involved in any spill over of the conflict into Iran. We cannot estimate the consequences of this, which represent an ascent into the higher reaches of

uncertainty. But whilst these costs will remain difficult to compute, the possibility that we might need to reckon them cannot, alas, be totally dismissed. There have been a very large number of warnings that the war is imminently likely to spread to Iran. Some of these may have seemed more alarmist than real: but some have needed to be taken seriously. Now there has been a very grave alarm, sounded on 1 February 2007 by no less an authority than Zbigniew Brzezinski, who was President Carter's National Security Adviser. He warned of the risk of a 'head-on conflict with Iran' when he testified to the Senate Foreign Relations Committee:

'If the United States continues to be bogged down in a protracted bloody involvement in Iraq, the final destination on this downhill track is likely to be a head-on conflict with Iran and with much of the world of Islam at large. A plausible scenario for a military collision with Iran involves Iraqi failure to meet the benchmarks; followed by accusations of Iranian responsibility for the failure; then by some provocation in Iraq or a terrorist act in the United States blamed on Iran; culminating in a "defensive" US military action against Iran that plunges a lonely America into a spreading and deepening quagmire eventually ranging across Iraq, Iran, Afghanistan, and Pakistan.' (For more of Brzezinski's testimony see page 73.)

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Events in Iraq plumb new depths of cynicism, but events in Britain are if anything even less savoury. The British Prime Minister, who has qualified for a Nobel Prize in lying in order to launch his wars, is apparently waiting for the detectives to feel his collar on a variety of criminal charges. His most dependable advisers are giving evidence to the police under caution, if not actually under arrest. Old dishonesty was modest. It wore a dissembling face. But New Labour has broken the mould. Nothing seems too shameful for Mr. Blair to face down or tough out. Meanwhile, the polls show his fortunes in freefall. The membership of his Party plummets ever lower. And yet, he seems impervious, unsackable, a paradigm case of the durability of the unacceptable, the indefensible, the basest behaviours.

It is, however, possible that this magic circle might be broken in May. On the 3<sup>rd</sup> of that month there will take place local elections, together with the contests for the Scottish Parliament and the Welsh Assembly. In Scotland, there has been a phenomenal upsurge in support for the Scottish National Party which declares its determination to secure Scottish independence from the United Kingdom, its undying hostility to Mr. Blair's wars, and to the preparation of a renewed programme of nuclear armament. Can it be that all this is entirely unconnected with the profound desire to be rid of Mr. Blair?

*Ken Coates*