

Control of Oil Revenues

By Michael Renner with Erik Leaver and Bo Palmer | September 2003

While widespread ransacking was happening in Iraq after Baghdad fell, the U.S. moved swiftly to secure the country's oil facilities. But in the months since the official end of the war, general looting and sabotage have impeded even the oil industry, frustrating efforts to quickly return oil production to prewar levels.

As of early July, the future of Iraq's oil is still a matter of speculation. Rehabilitating oil facilities and preparing the ground for an expansion of output will take time. Current projections are that because of widespread looting, it will take 18 months just to return to prewar production levels of 3 million barrels per day. [Neela Banerjee, "Barrels of Oil Exported for the First Time Since the War," *New York Times*, June 23, 2003]

The U.S. will have broad control over the Iraqi oil industry, principally by means of a Development Fund for Iraq, into which all of Iraq's oil export revenues, all funds left over from the UN's "oil for food" program, and all assets of the former Iraqi government located anywhere in the world are to be transferred. With such broad control, U.S. corporations are well posed to reap enormous profits and control of the oil industry.

PRE-WAR PROMISES

- "American oil companies will have a big shot at Iraqi oil," says Ahmad Chalabi, leader of the Iraqi National Congress (and current member of the Iraqi Governing Council)
[Dan Morgan and David B. Ottaway, "In Iraqi War Scenario, Oil Is Key Issue," *Washington Post*, September 15, 2002.]
- "The American undersecretary of commerce, Grant Aldonas, told a business forum hungry for good economic news that a war in Iraq 'would open up this spigot on Iraqi oil, which certainly would have a profound effect in terms of the performance of the world economy for those countries that are manufacturers and oil consumers.'
[Michael Moran and Alex Johnson, "Oil after Saddam: All bets are in," MSNBC, November 7, 2002.]
- "We will make sure that Iraq's natural resources are used for the benefit of their owners, the Iraqi people"
— President George W. Bush [Speech at the Azores Islands, 16 March 2003.]
- Head of the Coalition Provisional Authority, Paul Bremer, commented "As Iraq began shipping crude oil today for the first time since the start of the war, the U.S. administrator of the country broached the politically sensitive issue of how oil revenue should be spent, proposing that some of the money be shared with Iraqis through a system of dividend payments or a national trust fund to finance public pensions.
"Iraq's resources cannot be restricted to a lucky or powerful few," Bremer said. "Iraq's natural resources should be shared by all Iraqis."
["Bremer Broaches Plans for Iraq's Oil Revenue," *New York Times*, June 23, 2003.]

POST-WAR REALITIES

- On May 22, 2003, the UN Security Council passed a resolution ending sanctions on Iraq. Significantly, the resolution gave the U.S. decisionmaking power over how the oil funds would be used with regard to relief, reconstruction, disarmament and "other purposes benefiting the people of Iraq."
[Colum Lynch, "U.S. to Propose Broader Control Of Iraqi Oil, Funds" *Washington Post*, May 9, 2003.]
- On May 4, Philip Carroll was named to head an advisory board to the Iraqi oil ministry. Carroll was chief executive officer (CEO) of Shell Oil, the U.S. arm of Royal Dutch/Shell in the 1990s, and subsequently became head of the construction giant Fluor, a company he ran until 2002. Carroll still owns substantial stock in both of these corporations. He is not known as an Iraq oil specialist and apparently had never been to the country prior to his appointment.
[Michael Renner, "The Other Looting," *Foreign Policy In Focus*, July 2003.]



- “The Bush administration is considering a provocative idea to pledge some of Iraq’s future oil and gas revenue to secure long-term reconstruction loans before a new Iraqi government is in place to sign off on the proposal. [The question is] whether the U.S.-led occupation administration in Baghdad has the legal or moral authority to pledge future oil revenue as loan collateral before the issue can be debated by elected Iraqis.”
[Warren Vieth, “US May Tap Oil for Iraqi Loans,” *Los Angeles Times*, July 11, 2003.]
- After the UN approved the Development Fund for Iraq, Bush signed an executive order decreeing that “any attachment, judgment, decree, lien, execution, garnishment, or other judicial process is prohibited, and shall be deemed null and void,” with respect to the Development Fund for Iraq and “all Iraqi petroleum and petroleum products, and interests therein.”
In other words, if ExxonMobil or ChevronTexaco touch Iraqi oil, anything they or anyone else does with it is immune from legal proceedings in America.
[Steve Kretzman and Jim Vallette, “Operation Oily Immunity,” *CommonDreams.org*, July 23, 2003.]
- Sir Philip Watts, chairman of Royal Dutch/Shell, commenting on the lack of interest in investing in Iraq’s oil infrastructure said, “There has to be proper security, legitimate authority and a legitimate process ... by which we will be able to negotiate agreements that would be longstanding for decades.... When the legitimate authority is there on behalf of the people of Iraq, we will know and recognize it.”
[Carola Hoyos, “Oil Groups Snub US on Iraq Deals,” *Financial Times*, July 24, 2003.]
- Saboteurs blew up yet another section of a major oil pipeline to Turkey today, the second time the route had been hit in three days. Black smoke and flames swirled into the cloudless sky just a few miles from where U.S. soldiers and Iraqi engineers had battled a fire caused by explosives Friday. The two blasts, north of the town of Baiji, abruptly halted crude oil exports that had begun Wednesday. The disruption costs Iraq \$7 million a day in revenue, officials say.
[Daniel Williams and Anthony Shadid, “Saboteurs Hit Iraqi Facilities Oil and Water Lines and Prison Targeted in New Ambushes,” *Washington Post*, August 18, 2003.]

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