

Dick Cheney's Oil Law for Iraq Is Neo-Colonial Theft

by Muriel Mirak-Weissbach

President George W. Bush has defined passage of the Iraqi Oil Law by Iraq's Parliament as one of the "benchmarks" that must be met, in order for Iraq to prove itself ready for self-rule. The Bush Administration worked on this bill for more than four years; it was promoted as a step toward unifying Iraq, assuring the fair geographical distribution of oil revenues. But in fact, as Iraqis are increasingly aware, it is a way of permanently colonizing their country to Big Oil. While the Cabinet approved the bill in February, opposition is growing, and Parliament has not passed it, despite intense pressure from President Bush, U.S. Ambassador Ryan Crocker, and others.

Nowhere has Washington made details of the bill public. Instead, its contents have been made available only through press leaks.¹

The key component of the fraud perpetrated by the draft oil law, is what is known as a Production Sharing Agreement (PSA)—even though the term is not explicitly used.

What is a PSA? Gregg Muttitt, of PLATFORM, was the first to blow the whistle on PSAs in a November 2005 article, entitled "Crude Designs: The Rip-Off of Iraq's Oil Wealth"² The PSA emerged in the 1960s, in Indonesia, he explained. "Whereas in a concession system," as was common in the colonial era, "foreign companies have rights to the oil in the ground, and compensate host states for taking their resources (via royalties and taxes), a PSA leaves the oil legally in the hands of the state, while the foreign companies are compensated for their investment in oil production infrastructure and for the risks that they have taken in doing so." The company which invests to explore, drill, and produce, uses its oil sales to recoup these investments, known as "cost oil." After covering these costs, the company reaps "profit oil," which it divides with the country, according to contract.

As Muttitt explains, there are a number of serious disadvantages to Iraq in such PSAs. "They fix terms for 25-40 years, preventing future governments from changing the contract. . . . Secondly, they deprive governments of control over

the development of their oil industry. . . . Thirdly, they generally over-ride any future legislation that compromises company profitability, effectively limiting the government's ability to regulate. . . . Fourthly, PSAs commonly specify that any disputes between the government and foreign companies are resolved not in national courts, but in international arbitration tribunals which will not consider the Iraqi public interest."

Iraq, which holds the third largest oil reserves in the world, has 115 billion barrels of known reserves, and is thought to have a whopping 100-200 billion barrels of undiscovered reserves. According to figures released by the Iraqi Oil Ministry in March 1995, when Saddam Hussein was still in power, there were 25 Iraqi oil fields categorized as "undeveloped," which were slated for development, once sanctions were lifted.

Other big oil producers, from U.S. allies Saudi Arabia and Kuwait, to designated enemy Iran, have rejected PSAs, by constitution and national law. If this law is imposed on Iraq, it will signify a dramatic shift in the country's traditional oil policy; as Muttitt notes, the oil industry has been public in Iraq since 1972, and the rights to develop oil in 99.5% of the national territory had been in public control since 1961.

The Devil in the Detail

The oil law, governed by the concept of the PSA, permits foreign intervention in all relevant Iraqi institutions:

- The Preamble specifies that "the rehabilitation and further development of the Petroleum industry will be enhanced by the participation of *international* and national investors. . ." (emphasis added).
- Article 5 introduces the most crucial new institution, the Federal Oil and Gas Council. This FOGC, to be created by the Council of Ministers, will be presided over by "the Prime Minister or his nominee, and will include Iraqi regional and national officials, as well as international players: "To assist" the FOGC in "reviewing Exploration and Production contracts and Petroleum Fields' Development plans, the Council relies on the assistance of a panel called the 'Panel of Independent Advisors' that includes oil and gas experts, Iraqis *or foreigners*" (emphasis added).

As for the "discovered but not yet developed fields," "it is permissible to develop these Fields in collaboration with *reputable oil companies* that have the efficient financial, administrative, technical, operational capabilities according to the contracting terms and the regulations issued by the Federal

1. First was an item published on www.al-ghad.org by Prof. Fouad Al-Ameer, picked up then by www.niqash.org, and then by Iraqi blogger Raed Jarrar, who translated an Arabic version into English. See www.box.net/public/ehdz113d71, which gives the link to [IraqiOilLawRaedJarrar.pdf](#).

2. www.globalpolicy.org/security/oil/2005/crudedesigns.pdf.



U.S. Centcom

Capping an extinguished oil well in Ramaylah, Iraq. Many Iraqis rightly view the proposed oil law as theft of their resources, and their national sovereignty.

Oil and Gas Council” (emphasis added).

- Article 9 specifies that “rights for conducting Petroleum Operations shall be granted on the basis of an Exploration and Production contract . . . between the Ministry (or the Regional Authority) and an Iraqi or Foreign Person, natural or legal. . .” (emphasis added).

(The reference to the rights of the Regional Authority to sign contracts is very important. Although it goes beyond the bounds of our treatment here (and will be dealt with in an upcoming article), such powers given the Regional Authorities have made it possible for the Kurdish region to make independent deals with numerous foreign oil companies. Thus have the centrifugal tendencies in that region, toward establishing an independent “Kurdistan,” been encouraged.)

- In Article 13, the colonialist nature of the operation becomes clear. First, “An Exploration and Production Contract shall give the holder an exclusive right to conduct Petroleum Exploration and production in the Contract Area.” Once a discovery has been made, the Iraq National Oil Company (INOC) “and other holders of an Exploration and Production right may retain the exclusive right to develop and produce Petroleum within the limits of a Development and Production Area for a period to be determined by the Federal Oil and Gas Council varying from fifteen (15) to twenty (20) years”!

Made in U.S.A./Britain

It should come as no surprise that the oil law was not an Iraqi invention. It was concocted in the United States, and long before the bombs started falling on Baghdad. Dick Cheney, in his incarnation as executive of Halliburton, back in 1999, told the Institute of Petroleum in London: “By 2010 we will need on the order of an additional 50 million barrels a day. So where is this oil going to come from? . . . While many

regions of the world offer great oil opportunities, the Middle East with two-thirds of the world’s oil and the lowest cost is still where the prize ultimately lies.”

As documented by Ed Spannaus in *EIR* (Sept. 12, 2003), Cheney and Co. had detailed plans for seizing Iraqi oil after the war.³ Cheney’s Energy Task Force came out with a report specifying that the Persian Gulf region, with 67% of proven world oil reserves, “will remain vital to U.S. interests.” The Task Force secretly developed a map, showing precisely where Iraq’s oil fields were, where the refineries and terminals were located, and what projects were already on the agenda for oil and gas, including a list of “Foreign Suitors for Iraqi Oil Field Contracts.”

There were a number of initiatives launched by the Bush-Cheney Administration, to secure control over Iraq’s oil. For example, Bush signed Executive Order 13303 on May 22, 2003, which granted U.S. oil companies and contractors immunity from any complaints dealing with Iraqi oil. Yet, even such imperial decrees could not guarantee full protection from international law. Thus, the need to put through a law in Iraq itself.

Further aspects of the U.S. involvement in Iraq’s oil law are noted in an extremely useful chronology of events compiled by The Center for Grassroots Oversight.⁴ In April 2003, the State Department’s Oil and Energy Working Group explicitly endorsed PSAs as a formula which would protect the oil companies from changes under future governments. In that same month, the U.S. dispatched hundreds of economic advisors to work with the ministries of the occupation government. In September 2003, then-Prime Minister Iyad Allawi made recommendations to the Supreme Council for Oil Policy: PSAs should be applied to development of all fields other than those already in production. This meant that 17 of 80 known fields would be under government control, the rest to be given over to the private sector—as later enshrined in the oil law. In March 2004, two former oil industry executives were named as advisors to Iraq’s oil ministry: Mike Stinson of ConocoPhillips and Bob Morgan of BP. In June 2004, the Minister of Oil was Thamir al-Ghadban, a British-trained oil engineer. Several Iraqi politicians weighed in on the side of oil privatization, including the infamous Ahmad Chalabi (who had provided Cheney with fabricated “intelligence” on Iraq’s alleged weapons of mass destruction), in November 2005; and Hussein al-Shahristani, the new Oil Minister, who spoke in May 2006 of the “need to pass an oil and gas law to guarantee the right conditions for international companies to help develop the Iraqi oil sector.”

In the middle of 2006, Ronald Jonkers, a D.C. lawyer, was dispatched to Iraq to work on the new law. By July the first

3. www.larouchepub.com/other/2003/3035cheney_cptbggrs.html.

4. www.historycommons.org/timeline.jsp?timeline=us_occupation_of_iraq_tm1n_specific_issues=us_occupation_of_iraq_tm1n.

draft was ready, as worked out by Iraqis Tariq Sharif, Farouk al-Qassem, and Thamir al-Ghadban, and it contained the PSAs as a leading feature. The U.S. government and nine oil companies then reviewed the draft in July, after which U.S. Energy Secretary Samuel Bodman went to Baghdad, and urged politicians to “pass a new law, a new hydrocarbon law under which international companies will be able to make investments in Iraq.” The International Monetary Fund, not to be left out, reviewed the draft in September.

On Jan. 16, 2007, the Iraq Oil Committee approved the draft, followed by the Cabinet, which gave its okay on Feb. 26. At that point, the only entities which had read the text, aside from its ostensible authors and the Iraqi Cabinet, were the IMF, the oil multinationals, and the British and U.S. governments. Then, a committee of political figures from Iraq’s different ethnic/sectarian groups convened to discuss the law, and presumably finally had a chance to look at the carefully guarded text. At that point, conflict broke out among different groups regarding the alleged sharing of oil among them. The Iraqi Parliament, not to mention the broader public, were still in the dark. As soon as the light dawned on them, all Hell broke loose.

Iraqis Mobilize Against the Sellout

Anyone who has visited Iraq, knows that a people with thousands of years of history, does not readily relinquish its national identity, its independence, and its sovereignty. The growing resistance to the sellout of the country’s natural resources, is an indication of this.

The resistance to the oil law has come from many sectors of Iraqi society: intellectuals, oil workers, politicians, and others. The first major sign of resistance appeared in February, when the head of the Federation of Oil Unions in Basra, Hasan Jum’ah ’Awwad al-Asadi, denounced the draft law, on grounds that Iraq needed no outside “help” to produce oil. He cited the fact that oil workers had proven able to restart production after the devastating war “without any foreign expertise or foreign capital.” On Feb. 8, the oil labor unions sent a letter to President Jalal Talabani, telling him he should reject any law based on PSAs, which, they said, were “a relic of the 1960s.” The oil workers went on strike in Basra on June 4. Al-Asadi, speaking for his 26,000-worker union, called for a role in drafting the law, saying the existing draft gave foreign companies too much control.

On June 18, Reuters reported on the U.S. tour of Faleh Abood Umara, general secretary of the Southern Oil Company Union and the Iraqi Federation of Oil Workers Union, who was telling crowds that the law was “a raid by the international oil cartel,” and that unions would mobilize to stop it. He said they would “take strong measures, even including stopping the flow of oil.”

Parliamentarians also balked at the bill. On July 4, one day after the Cabinet had approved an amended draft, leading Sunnis from the Iraqi Accordance Front, which had boycotted

votes on the bill, said no draft should be considered by the legislative body until its members returned. The Sunni Association of Muslim scholars forbade any vote on the bills. Even inside the government, protest was raised. Minister of Planning and Development Cooperation Ali Baban, told Voice of Iraq on July 20 that he would resign if the law passed without radical changes. He also called for “a referendum on this law, or distributing copies of the draft to all Iraqis to be aware of the bill’s articles.” Joining this protest was the bloc of radical Shi’ite leader Moqtadar al-Sadr, whose spokesman announced they would not support any law which would allow firms “whose governments are occupying” powers to sign oil deals. “The most serious problem with the law,” the spokesman quoted by AFP said, “is the production-sharing agreements, which we categorically reject.”

Opposition in the U.S.

Inside the United States, it is lamentable that so few politicians have had the guts to oppose this atrocity. Rep. Dennis Kucinich (D-Ohio) has stood out as one exception. On May 23, Kucinich, who has been an opponent of the Iraq War, as well as of the threat of an Iran war, took to the floor of the House of Representatives in order to provoke a full discussion of the Iraq oil law. “Any attempt to sell Iraqi oil assets during the United States occupation,” he said in his bill HR 1234, “will be a significant stumbling block to peaceful resolution. There must be fairness in the distribution of oil resources in Iraq.”

On Sept. 18, Kucinich upped the ante, following news of an oil deal struck between the Hunt Oil Company of the U.S. and the Kurdistan Regional Government. Kucinich called for a Congressional investigation to determine what role the administration might have had in the deal, considering that the privately held oil company is based in Texas, and that its founder, Ray Hunt, is close to Cheney, as well as being a donor to Bush. The Congressman pointed out that the Hunt Oil deal also exposed the intent of Cheney’s Iraq oil law, to privatize the sector.

Kucinich has sent letters to Secretary of State Condoleezza Rice as well as Rep. Henry Waxman (D-Calif.), chairman of the House Oversight and Government Reform Committee, demanding the Hunt deal be examined. These initiatives are to be supported, but are unlikely to yield serious results as single initiatives. More important is Kucinich’s resolution HR. 333, which calls for the impeachment of Dick Cheney—a demand first raised in 2002 by Lyndon LaRouche. Ultimately, the only way to shift U.S. policy on Iraq from its current neo-imperial thrust, to a policy of cooperation among sovereign nations in the interest of regional, and world, peace, is to remove Cheney from power, now. The fact that Kucinich initiated the demand for impeachment in the House indicates his awareness of this as the top priority. When will his fellow Democrats, who claim to oppose the Administration’s war policy, finally stand up and join the impeachment drive?